

FY 2005

BUDGET SUMMARY



U. S. DEPARTMENT OF AGRICULTURE

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INTRODUCTION

The Budget Summary describes the fiscal year (FY) 2005 budget for the U.S. Department of Agriculture (USDA). All references to years refer to fiscal year, except where specifically noted. The funding estimates presented for FY 2004 are based on the Consolidated Appropriations Act, 2004, P.L. 108-199. Throughout the booklet, “2002 Farm Bill” and “The Act” are used to refer to the Farm Security and Rural Investment Act of 2002.

The Summary is organized into five sections: Funding Overview, Highlights by USDA strategic goals, Food and Agriculture Defense Initiative, Mission Area/Agency Details, and Appendix Tables.

Basic budget terminology:

- **Program Level** represents the gross value of all financial assistance USDA provides to the public. This assistance may be in the form of grants, guaranteed or direct loans, cost-sharing, professional services such as research or technical assistance activities, or in-kind benefits such as commodities.
- **Budget Authority** is the authority to commit funds of the Federal Treasury. Congress provides this authority through annual appropriations acts and substantive legislation which authorizes direct spending. The President's budget requests the Congress to appropriate or otherwise provide an amount of budget authority sufficient to carry out recommended government programs.
- **Obligations** are commitments of government funds. In order for USDA to make a valid obligation, it must have a sufficient amount of budget authority to cover the obligation.
- **Outlays** are cash disbursements from the Federal Treasury to satisfy a valid obligation.

Program level measures are used in most instances. However, there are some cases when other measures are used and the reader should take care to note which measure is being used.

Questions may be directed to the Office of Budget and Program Analysis via e-mail at bca@obpa.usda.gov or telephone at (202) 720-6176.

FUNDING OVERVIEW

2005 Funding Overview

Mission Statement of the United States Department of Agriculture

USDA provides leadership on food, agriculture, natural resources, and related issues based on sound public policy, the best available science, and efficient management.

Strategic Plan Framework

USDA's strategic plan contains five strategic goals that describe the Department's major programmatic policies and objectives. The five strategic goals are:

- Strategic Goal 1: Enhance Economic Opportunities for Agricultural Producers
- Strategic Goal 2: Support Increased Economic Opportunities and Improved Quality of Life in Rural America
- Strategic Goal 3: Enhance Protection and Safety of the Nation's Agriculture and Food Supply
- Strategic Goal 4: Improve the Nation's Nutrition and Health
- Strategic Goal 5: Protect and Enhance the Nation's Natural Resource Base and Environment

The underpinning for the strategic plan is a set of principles outlined in the publication *Food and Agricultural Policy: Taking Stock for the New Century* which provides the foundation for meeting current and future challenges in the food and agriculture sector. The strategic plan identifies key policy and management objectives that have been integrated into USDA's 2005 budget request. Central to the budget and planning process is effective management of the Department's limited resources in an effort to effectively deliver its multifaceted programs.

Budget and Performance Integration

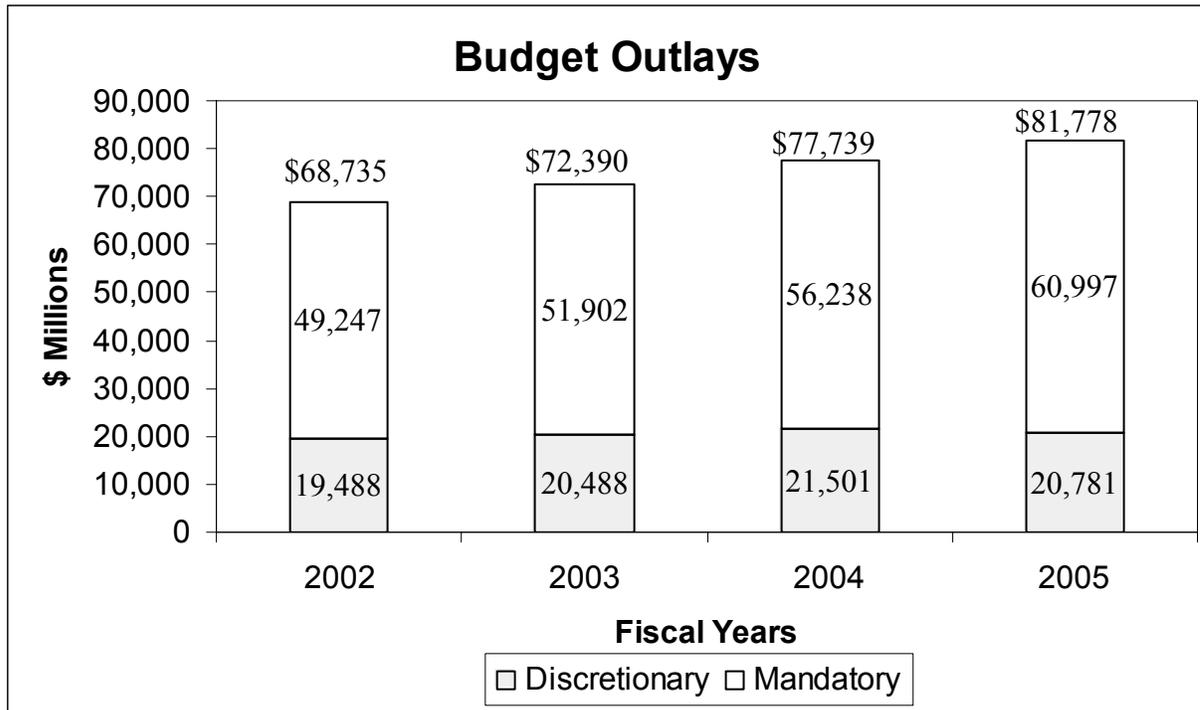
USDA developed and implemented a comprehensive budget and performance integration process for the 2005 budget that aligns funding and performance with the Secretary's strategic goals. The process involved an in-depth review of agency goals, objectives and performance measures as they relate to the Department's strategic goals and objectives. The results of this review, along with information from reviews conducted using the Performance Assessment Rating Tool and other analyses formed the basis for development of specific budget proposals. The result of this year's budget process is a budget that aligns the Secretary's strategic goals, program outcomes and performance with budget decisions. A summary of highlights by USDA strategic goal is presented beginning on page 5. Narrative sections of the Budget Summary include information on a number of performance targets.

2005 Funding Overview

USDA's discretionary program outlays are about \$20.8 billion in 2005, a \$720 million decrease from the 2004 level. Discretionary program outlays represent about 25 percent of total USDA outlays and include funding for programs to address pest and disease threats; funds for the Special Supplemental Nutrition Program for Women, Infants and Children (WIC); rural development loans and grants; research and education; soil and water conservation technical assistance; management of National

FUNDING OVERVIEW

Forests and other Forest Service activities; and domestic and international marketing assistance. The remaining 75 percent of outlays, about \$61 billion in 2005 – an increase of about \$5 billion over 2004 – support mandatory programs that provide services as required by law and include the majority of the nutrition assistance programs, commodity programs, export promotion programs and a number of conservation programs.



FUNDING OVERVIEW

UNITED STATES DEPARTMENT OF AGRICULTURE (Dollars in Millions)

AGENCY/PROGRAM	Program Level				Outlays			
	2003 Actual	2004 Estimate	2005 Budget	Change 2004 to 2005	2003 Actual	2004 Estimate	2005 Budget	Change 2004 to 2005
FARM AND FOREIGN AGRICULTURAL SERVICES								
Farm Service Agency (p. 27):								
Farm Loan and Grant Programs.....	\$3,832	\$3,501	\$3,807	\$306	\$494	\$224	\$198	-\$26
Conservation and Other Programs.....	1,789	1,908	1,960	52	2,002	2,193	2,114	-79
Commodity Programs.....	25,480	20,731	22,066	1,335	14,547	12,430	12,639	209
Commodity Credit Corporation Programs.....	(30,885)	(27,267)	(28,984)	(1,717)	(17,425)	(14,836)	(15,004)	(168)
Salaries and Expenses.....	1,250	1,266	1,317	51	1,207	1,317	1,314	-3
Total, Farm Service Agency.....	32,351	27,406	29,150	1,744	18,250	16,164	16,265	101
Risk Management Agency (p. 37):								
Administrative and Operating Expenses.....	70	71	92	21	77	69	85	16
Crop Insurance Fund.....	2,069	3,983	3,681	-302	3,255	3,965	3,685	-280
Total, Risk Management Agency.....	2,139	4,054	3,773	-281	3,332	4,034	3,770	-264
Foreign Agricultural Service (p. 39):								
Export Credit Guarantees.....	3,223	4,275	4,528	253	616	310	269	-41
Market Development Programs.....	158	173	173	0	150	170	172	2
Export Subsidy Programs.....	32	50	81	31	49	50	81	31
Trade Adjustment Assistance for Farmers.....	2	90	90	0	2	90	90	0
P.L. 480.....	1,960	1,468	1,308	-160	1,166	1,548	1,371	-177
Bill Emerson Humanitarian Trust.....	212	0	0	0	0	0	0	0
Section 416(b) Donations: Ocean Freight and Overseas Distribution Costs.....	55	15	15	0	342	26	30	4
Food for Progress Program.....	137	128	149	21	203	145	143	-2
McGovern-Dole International Food for Education Program.....	100	50	75	25	0	149	76	-73
Salaries and Expenses.....	195	199	212	13	167	146	159	13
Total, Foreign Agricultural Service.....	6,074	6,448	6,631	183	2,695	2,634	2,391	-243
Total, Farm and Foreign Agricultural Services.....	40,564	37,908	39,554	1,646	24,277	22,832	22,426	-406
RURAL DEVELOPMENT								
Rural Utilities Service (p. 51):								
Loans and Grants.....	6,154	8,325	4,915	-3,410	802	752	788	36
Rural Housing Service (p. 54):								
Loans and Grants.....	5,739	5,808	5,296	-512	1,613	1,613	1,620	7
Rural Business - Cooperative Service (p. 57):								
Loans and Grants.....	1,056	719	738	19	111	151	25	-126
Salaries and Expenses.....	617	628	666	38	131	135	146	11
Subtotal, Rural Development.....	13,566	15,480	11,615	-3,865	2,657	2,651	2,579	-72
Farm Bill Authorities.....	129	4	11	7	233	160	196	36
Rural Community Advancement Program (p. 50).....	(2,887)	(3,061)	(2,594)	(-467)	(908)	(908)	(870)	(-38)
Total, Rural Development.....	13,695	15,484	11,626	-3,858	2,890	2,811	2,775	-36
FOOD, NUTRITION, AND CONSUMER SERVICES								
Food and Nutrition Service (p. 59)								
Food Stamp Program.....	25,487	28,468	30,497	2,029	25,325	29,044	30,668	1,624
Child Nutrition Programs.....	11,234	11,676	12,037	361	11,026	11,867	12,015	148
Women, Infants and Children (WIC).....	4,661	4,783	4,868	85	4,524	4,690	4,900	210
All Other.....	473	483	476	-7	420	330	325	-5
Total, Food, Nutrition, and Consumer Services.....	41,855	45,410	47,878	2,468	41,295	45,931	47,908	1,977
FOOD SAFETY								
Food Safety and Inspection Service (p. 65).....	863	891	952	61	735	779	716	-63
NATURAL RESOURCES AND ENVIRONMENT								
Natural Resources Conservation Service (p. 69):								
Conservation Operations.....	815	848	710	-138	750	791	715	-76
Farm Bill Technical Assistance.....	0	0	92	92	70	105	81	-24
Watershed Operations.....	224	277	55	-222	165	353	55	-298
Resource, Conservation and Development.....	50	52	51	-1	69	74	60	-14
Farm Security and Rural Investment Programs.....	1,227	1,638	1,855	217	819	1,723	2,000	277
Total, Natural Resources Conservation Service.....	2,316	2,815	2,763	-52	1,873	3,046	2,911	-135

FUNDING OVERVIEW

UNITED STATES DEPARTMENT OF AGRICULTURE (Dollars in Millions)

AGENCY/PROGRAM	Program Level				Outlays			
	2003 Actual	2004 Estimate	2005 Budget	Change 2004 to 2005	2003 Actual	2004 Estimate	2005 Budget	Change 2004 to 2005
Forest Service (p. 74):								
National Forest System.....	1,591	1,625	1,656	31	1,337	1,418	1,624	206
Forest and Rangeland Research.....	250	266	281	15	277	296	300	4
State and Private Forestry.....	285	329	294	-35	323	450	345	-105
Wildland Fire Management.....	1,164	1,390	1,429	39	1,945	1,423	1,388	-35
Capital Improvement and Maintenance.....	548	555	501	-54	548	624	540	-84
Land Acquisition.....	133	66	67	1	164	154	100	-54
All Other.....	15	10	10	0	9	9	9	0
Total, Discretionary Accounts.....	3,986	4,241	4,238	-3	4,603	4,374	4,306	-68
Repayments for Fire Borrowing.....	889	299	0	-299	a/	a/	a/	a/
Mandatory.....	921	1,043	984	-59	547	800	777	-23
Total, Forest Service.....	5,796	5,583	5,222	-361	5,150	5,174	5,083	-91
Total, Natural Resources and Environment.....	8,112	8,398	7,985	-413	7,023	8,220	7,994	-226
MARKETING AND REGULATORY PROGRAMS								
Animal and Plant Health Inspection Service (p. 80):								
Salaries and Expenses.....	885	849	968	119	773	985	942	-43
Emergency Funding.....	411	40	0	-40	289	226	90	-136
Other APHIS Programs.....	85	19	19	0	27	17	28	11
Total, Animal and Plant Health Inspection Service.....	1,381	908	987	79	1,089	1,228	1,060	-168
Agricultural Marketing Service (p. 84).....	241	298	310	12	177	235	243	8
Section 32 Funds.....	1,059	507	422	-85	1,053	506	421	-85
Grain Inspection, Packers and Stockyards								
Administration (p. 86).....	70	78	86	8	32	40	14	-26
Total, Marketing and Regulatory Programs.....	2,751	1,791	1,805	14	2,351	2,009	1,738	-271
RESEARCH, EDUCATION, AND ECONOMICS								
Agricultural Research Service (p. 90):								
Ongoing Appropriations for Research and Information.....	1,077	1,105	1,011	-94	1,064	1,080	1,028	-52
Ongoing Appropriations for Buildings and Facilities.....	81	63	178	115	61	98	116	18
Total, Agricultural Research Service.....	1,158	1,168	1,189	21	1,125	1,178	1,144	-34
Cooperative State Research, Education, and								
Extension Service (p. 93).....	1,131	1,132	1,028	-104	1,054	1,082	1,046	-36
Economic Research Service (p. 97).....	69	71	80	9	70	71	79	8
National Agricultural Statistics Service (p. 98).....	138	128	138	10	133	124	138	14
Total, Research, Education, and Economics.....	2,496	2,499	2,435	-64	2,382	2,455	2,407	-48
OTHER ACTIVITIES								
Departmental Activities (p. 101).....	131	129	159	30	155	94	143	49
Centralized Activities.....	247	175	236	61	262	185	253	68
Office of Civil Rights (p. 105).....	16	18	22	4	0	18	22	4
Office of the Inspector General (p. 106).....	73	77	78	1	75	73	78	5
Common Computing Environment (p. 107).....	113	119	137	18	84	161	144	-17
Receipts and Loan Repayments.....	0	0	0	0	-9,139	-7,829	-4,826	3,003
USDA TOTAL.....	\$110,916	\$112,899	\$112,867	-\$32	\$72,390	\$77,739	\$81,778	\$4,039

a/ Outlays are reflected in the above Forest Service accounts after the repayments were made.

HIGHLIGHTS BY GOAL

The Department's 2005 budget supports achievement of the five USDA strategic goals and the commitment to provide first-class service, state-of-the-art science, and consistent management excellence across the broad responsibilities of USDA. The Department promotes agricultural production and trade; protects animal and plant health; works to assure food safety; protects natural resources; fosters strong rural communities; and fights hunger in America and abroad. To reflect this, these goals contain thirteen objectives that cover all programs and services within USDA's responsibilities.

STRATEGIC GOAL 1: ENHANCE ECONOMIC OPPORTUNITIES FOR AGRICULTURAL PRODUCERS.

Expanding markets for agricultural products is critical to the long-term economic health and prosperity of the food and agricultural sector. USDA has four key objectives which support the achievement of this strategic goal. The four key objectives are (1) expand international marketing opportunities; (2) support international economic development and trade capacity building; (3) expand alternative markets for agricultural products and activities; and (4) provide risk management and financial tools to farmers and ranchers. The following table displays funding within strategic goal 1:

**Enhance Economic Opportunities for Agricultural Producers
(Dollars in Millions)**

Program	2003 Actual	2004 Estimate	2005 Budget
Farm and Foreign Agricultural Services.....	\$38,634	\$35,861	\$37,449
Natural Resources and Environment.....	14	14	14
Marketing and Regulatory Programs.....	1,386	901	839
Research, Education and Economics.....	996	951	877
Total, Strategic Goal 1.....	\$41,030	\$37,727	\$39,179

Farm and Foreign Agricultural Services

The Department's 2005 budget supports the requirements of the Farm Security and Rural Investment Act of 2002 (Farm Bill) which, combined with a strong crop insurance program, provides a strong market-oriented economic safety net for farmers. The budget also supports the Administration's international trade initiatives to strengthen the economic viability and global leadership of our diverse food and agriculture system. In addition, the Department's budget supports the strengthened complementary conservation programs to promote environmentally sound land management which were provided by the Farm Bill. The 2005 budget includes resources to:

- **Enhance the opportunities for family farmers to obtain adequate credit to maintain their farming operations.** The budget proposes a total loan level of \$3.8 billion for direct

HIGHLIGHTS BY GOAL

and guaranteed farm loans, which is an increase of \$306 million over the 2004 loan level. Funding has been allocated to reflect actual demand for direct and guaranteed loans in recent years. This level of funding is expected to provide operating loans to about 22,000 farmers and ranchers, about the same as in 2004, and ownership loans to about 6,500 farmers and ranchers, about 2,200 more than in 2004. (See page 28.)

- **Strengthen crop insurance delivery to ensure that farmers have access to sound risk management tools.** More than 80 percent of the Nation's acres planted to principal crops are expected to participate in the crop insurance program. Future growth in the program is expected to result from expansion to include a greater variety of specialty crops, including livestock. In 2005, the crop insurance program is expected to provide coverage for 380 commodities, this compares to about 369 commodities projected for 2004. The 2005 indemnities are estimated to be about \$3.8 billion which reflects the statutory loss ratio of 1.075. (See page 37.)
- **Expand international marketing opportunities by providing a total program level of over \$6.6 billion for the Department's international programs and activities.** The budget includes a program level of \$4.5 billion for CCC export credit guarantee programs, an increase of more than \$250 million above the current estimate for 2004. Funding for market development programs, including the Market Access Program and Cooperator Program, is maintained at \$173 million. The budget supports a program level for U.S. foreign food assistance activities of over \$1.5 billion, including just over \$1.3 billion for P.L. 480 programs. Funding for the McGovern-Dole International Food for Education and Child Nutrition Program is increased to \$75 million. (See page 39.)

Marketing and Regulatory Programs

- In 2005, this mission area's contribution to Goal 1 is funded at \$839 million. Resources are used to facilitate the efficient marketing of U.S. agricultural commodities through inspection, weighing, standardization, and other services for specific commodities, and promotion of fair and competitive marketing for animal products and fruit and vegetables; and support agricultural trade by verifying and documenting the plant and animal pest and disease status of the United States and resolving trade barrier issues related to animal and plant health. The budget includes increases to fund rapid response teams to closely examine livestock marketing to ensure that producers are not unfairly disadvantaged by the BSE situation and to better deal with sanitary and phytosanitary trade barriers that importing Nation's sometimes use to protect their industries. (See page 23.)

Research, Education, and Economics (REE)

The REE mission area carries out strong research, education, economic analysis, and statistical programs that help producers to respond quickly to economic, social, and environmental changes that affect the production and sale of their products. Research promotes the development of new or improved agricultural products and expands their uses to fill market needs. Providing knowledge about existing or emerging markets helps producers capitalize on opportunities and avoid barriers to trade. REE contributes to informed policy and marketing decisions that reduce

HIGHLIGHTS BY GOAL

risk and increase returns to the United States in the global economy. Highlights in the REE budget in support of this strategic goal include:

- **Supporting competitive research for fundamental and applied sciences in agriculture.** The National Research Initiative (NRI), the Nation's premier competitive peer reviewed research program for fundamental and applied sciences in agriculture is funded at \$180 million, a \$16 million increase over 2004. Research supported through the NRI will develop the scientific knowledge to enhance the productivity, efficiency, and quality of plant and animal production systems through agricultural genomics.
- **Advancing agricultural genomic research.** Harnessing the inherent potential of genetic resources holds the promise for effectively meeting many of the challenges facing agriculture. Mapping and sequencing projects financed by ARS and CSREES will be coordinated with ongoing genomics initiatives funded by other Federal agencies—NIH, NSF, and DOE—and facilitated by interagency workgroups. These Federal agencies have assigned high priority to sequencing genomes of agriculturally-important species and USDA funds will be highly leveraged as these mapping and sequencing projects move forward. Within ARS, an increase of \$7 million is requested for animal genomics research and \$5 million for plant genomic research. Additional support will be provided by the NRI.

STRATEGIC GOAL 2: SUPPORT INCREASED ECONOMIC OPPORTUNITIES AND IMPROVED QUALITY OF LIFE IN RURAL AMERICA.

Economic opportunities and the quality of life tend to be more limited in rural America than in the rest of the Nation. This is due to a number of factors, including: (1) low population density and geographic disadvantages, (2) dependence on single industries such as farming, mining, forestry or recreation, and (3) lack of basic amenities and modern-day telecommunications, and (4) lack of access to capital markets. Yet, there is considerable diversity in the economic and social characteristics of the various parts of rural America. Accordingly, USDA's strategy for improving the economic opportunities and quality of life in rural America provides for a wide variety of loans, grants, research, planning and coordination, and technical assistance. It also has the flexibility to adjust the funding for certain programs to meet State and local needs and priorities. USDA has two key objectives which support the achievement of this strategic goal. The two key objectives are (1) expand economic opportunities through USDA financing of business; and (2) improve the quality of life through USDA financing of quality housing, modern utilities, and needed community facilities. The following table displays funding within strategic goal 2:

HIGHLIGHTS BY GOAL

Support Increased Economic Opportunities and Improved Quality of Life in Rural America (Dollars in Millions)

Program	2003 Actual	2004 Estimate	2005 Budget
Rural Development.....	\$13,695	\$15,484	\$11,626
Natural Resources and Environment.....	173	214	99
Research, Education and Economics.....	228	207	198
Total, Strategic Goal 2.....	\$14,096	\$15,905	\$11,923

Rural Development

The Rural Development mission area provides financing and other assistance in three areas: (1) single family and rental housing and community facilities, (2) rural utilities, including electric generation and distribution, telecommunications, and water and waste facilities, and (3) rural business and industry and cooperative services. The 2005 budget supports about \$11.6 billion in program level activity. Rural Development is able to achieve high program levels at relatively little cost to the Government because most of its loan programs are made at close to the Government's cost of borrowing, or do not involve an interest subsidy. In addition, many of the programs have a long history of borrowers repaying their debts on time. Some programs, however, require additional subsidy to achieve program purposes. For example, the multi-family direct rental housing loan program subsidizes loans down to one percent interest in order to reduce rents to affordable levels for very low income families. Accordingly, the program has a subsidy rate of about 47 percent, despite having a history of virtually no losses due to defaults.

Highlights of the request include:

- **Support for about 42,800 home ownership opportunities in rural America.** The budget request supports \$1.1 billion in direct loans and \$2.7 billion in guaranteed loans for decent, safe, affordable single family housing. Both types of loans serve low income families, although guaranteed loans tend to be more accessible to families with slightly higher incomes. USDA single family housing programs contribute to the President's Initiative on Increasing Minority Home Ownership. The amount for direct loans is about \$250 million below the 2004 level while the amount for guaranteed loans is about the same as the 2004 level. The decrease in direct loans was necessary to accommodate an increase in subsidy costs due primarily to a projected increase in the Government's cost of borrowing. (See page 54.)
- **A program level of \$1.4 billion for water and waste water loans and grants will provide about 650,000 rural households with new or improved water and waste disposal facilities.** Consistent with the 2004 budget, greater emphasis will be placed on loans rather

HIGHLIGHTS BY GOAL

than grants. Relatively low interest rates allow projects to be supported at a higher loan to grant ratio than in the recent past. (See page 51.)

- **Support for about 66,000 jobs saved or created.** Most Rural Development programs also contribute to jobs in the construction and service industries either by directly providing a demand for the products of these industries or, indirectly, by contributing to the overall economic environment of rural communities. This level of performance reflects only the number of jobs saved or created within the facilities financed through Rural Development's business programs, primarily the business and industry guaranteed loan program and the intermediary relending loan program. (See page 57.)

Natural Resources and Environment (NRE)

A total of \$99 million of the NRE budget is devoted to this goal. In addition to providing technical assistance, NRE will contribute to improving the quality of life in rural areas through projects supported by the Resource Conservation and Development (RC&D) and Watershed Implementation, Planning and Rehabilitation programs. The purpose of the RC&D program is to help State and local units of government and local nonprofit organizations in rural areas plan, develop, and carry out programs that help sponsors improve and manage natural resource conservation and development. NRCS also helps coordinate available Federal, State, and local programs. In 2005, the RC&D program will support 375 RC&D areas now authorized. Funding for the P.L. 566 watershed program will be provided to those projects that are under way and for which Federal support is critical for their successful implementation. NRCS also works with local sponsoring organizations to develop plans on watersheds dealing with water quality, flooding, water and land management, and sedimentation problems. In addition, the agency also works cooperatively with State and local governments to develop river basin surveys and floodplain management studies to help identify water and related land resource problems and evaluate alternative solutions. Finally, to reduce risks from drought and flooding to protect community health and safety, NRCS provides financial and technical assistance to communities to implement high priority watershed rehabilitation projects to address the more than 11,000 dams installed with USDA assistance. (See page 69.)

Research, Education and Economics

REE agencies promote the well-being of rural America through research and analysis in order to better understand the economic, demographic, and environmental forces affecting rural regions and communities and, using that knowledge, to develop strategies that build on local assets. Through education and extension activities, REE helps rural residents and community and business leaders gain and use knowledge and skills to help their communities thrive in the global economy.

STRATEGIC GOAL 3: ENHANCE PROTECTION AND SAFETY OF THE NATION'S AGRICULTURE AND FOOD SUPPLY.

USDA has unique and critical responsibilities to help ensure the safety of the U.S. food and fiber supply chain and the security of the U.S. agricultural production system. USDA has two key

HIGHLIGHTS BY GOAL

objectives which support the achievement of this strategic goal. The two key objectives are (1) reduce the incidence of foodborne illnesses related to meat, poultry, and egg products in the U.S.; and (2) reduce the number and severity of agricultural pests and disease outbreaks. The following table displays funding within strategic goal 3:

Enhance Protection and Safety of the Nation's Agriculture and Food Supply
(Dollars in Millions)

Program	2003 Actual	2004 Estimate	2005 Budget
Food Safety.....	\$863	\$891	\$952
Marketing and Regulatory Programs.....	1,365	890	966
Research, Education and Economics.....	583	663	730
Total, Strategic Goal 3.....	\$2,811	\$2,444	\$2,648

Food Safety

This mission area ensures that the Nation’s meat, poultry and processed egg product supply is safe, wholesome and properly labeled, and oversees the work of the U.S. Manager for Codex Alimentarius (a commission that develops international food safety standards). Major advances in accomplishment of goal 3 have been achieved through the continued implementation and enforcement of the Pathogen Reduction/Hazard Analysis and Critical Control Point (HACCP) final rule. These actions have contributed to a reduction in the incidence of pathogens in meat and poultry and related foodborne illnesses. Continued implementation of science-based inspection systems and improved inspector training, tools, and information will enable inspectors to better evaluate the food safety hazards that threaten the food supply. For 2005, the budget includes a program level of \$952 million for enhancing protection and safety of the Nation’s meat and poultry food supply. A total increase of \$61 million is requested to maintain the level of inspection necessary to fund approximately 7,690 meat, poultry, and egg products inspectors to meet the demand for inspection services and for continued investment in food safety infrastructure and personnel. Programmatic increases totaling \$33.1 million are requested for the following activities:

- Protect agriculture from Bovine Spongiform Encephalopathy (BSE).** The 2005 budget for USDA requests an increase of \$47 million above the amount appropriated for 2004 to fund a multi-agency effort to protect the food supply from BSE. Of this amount, \$3 million will be used to ensure that slaughter establishments and processing establishments producing meat using Advanced Meat Recovery (AMR) systems are taking appropriate measures to keep specified risk materials (SRM) out of the food supply as required by the three interim final rules announced by the Secretary on December 30, 2003. Funding will be used for in-plant verification of slaughter plant designs for controlling SRM; testing animals that become non-ambulatory and disabled after they arrive at slaughter plants; and increased testing of

HIGHLIGHTS BY GOAL

meat produced using AMR systems to help assure that SRM are not entering the food supply. (See page 23.)

- **Improve the capability to identify and respond to food security emergencies.** The budget includes an increase of \$23.5 million under the Food and Agriculture Defense Initiative to improve the Federal and State laboratory infrastructure under the Food Emergency Response Network (FERN). Large scale improvements are necessary to enable laboratories to handle large volumes of testing and communicate effectively during a food emergency. Under FERN, laboratories across the Nation will have the capacity to quickly identify an agent and the method of delivery, as well as to respond rapidly and limit the loss of life. Inspectors would also be provided biosecurity training on an ongoing basis to ensure that inspection personnel have the skills and knowledge necessary to remain vigilant and to identify and respond to changing threats to the food supply. (See page 19.)
- **Improve enforcement of food safety regulation through inspector training.** The 2005 budget requests an increase of \$7.1 million for formal classroom training of inspection personnel, a 50 percent increase in the FSIS training budget. Of this amount, \$4 million would be used to increase the number of entry level inspectors receiving formal classroom training from 20 percent to 100 percent. An additional \$3.1 million is requested to supplement training for current on and off line field employees to improve enforcement of Hazard Analysis and Critical Control Point/Pathogen Reduction regulations and food safety sampling. (See page 65.)
- **User fees.** Under the 2005 budget, legislation will be proposed to recover \$124 million annually by collecting user fees for the cost of providing inspection services beyond an approved eight-hour primary shift.

Marketing and Regulatory Programs (MRP)

For 2005, the MRP budget includes a program level of \$966 million for enhancing protection of the Nation's agriculture and environment. An increase of \$76 million is requested to, among other measures, achieve the goals of no new outbreaks of foreign animal diseases and to detect 97 percent of newly arrived significant plant pests before they spread. Notable increases are for the following activities:

- **Enhance the defense of the agricultural sector from bioterrorist and other threats.** As part of the Food and Agriculture Defense Initiative, the budget requests an increase of \$50 million to enhance monitoring and surveillance for animal and plant health threats, enhance emergency preparedness, and other activities. USDA biosurveillance actions would work with the Department of Homeland Security to rapidly identify and characterize a potential bioterrorist attack. (See page 19.)
- **Increase surveillance and monitoring for bovine spongiform encephalopathy (BSE).** The 2005 budget for USDA requests an increase of \$47 million above the amount appropriated for 2004 to fund a multi-agency effort to protect the food supply from BSE. Of this amount, \$42 million is for heightened sampling and testing of animals at greatest risk of

HIGHLIGHTS BY GOAL

having BSE and to accelerate implementation of a National Animal Identification Program that would allow USDA to trace a BSE-positive animal to the herd of origin and all contact herds within 48 hours of detection, thus facilitating rapid outbreak control. (See page 23.)

- **Respond to calls to improve biotechnology regulation.** In part to respond to recommendations made by the National Academy of Sciences, the budget requests an additional \$6.6 million to improve compliance with biotechnology regulations, the transparency of biotechnology regulations, and other activities. This would allow USDA to significantly increase inspections for all genetically engineered crop field test sites and ensure that sites where pharmaceutical and industrial crops are grown are inspected multiple times during and after the growing season.

Research, Education and Economics

REE provides research and analysis to help ensure a safe and secure food and fiber system that is protected from threats to production such as pests, disease, and natural disasters, so that an adequate, low-cost supply is routinely available to the consumer. REE research ensures the system produces food of high quality and nutritional value and does not endanger the health of consumers due to microbial or chemical contaminants. The mission area also promotes the effective and efficient implementation of food safety policies through research on the economic and socioeconomic impacts of these policies on food production, food processing and the consumer sectors.

- **Protecting agriculture from emerging or exotic pests and diseases as part of the President's Food and Agriculture Defense Initiative.** Because of its size, complexity, and integration, U.S. agriculture is uniquely vulnerable to highly infectious disease and pests, particularly foreign diseases. To help combat these threats, \$178 million is included in the 2005 budget to complete the renovation of the U.S. Department of Agriculture's National Center for Animal Health in Ames, Iowa. The center, when completed, will provide state-of-the-art capabilities for research and diagnosis. An increase of \$10.7 million in ARS will support research to develop more sensitive and rapid on-site diagnostic tests and vaccines for existing and emerging diseases. The ARS budget will provide \$6 million to establish a National Plant Disease Recovery System which would quickly provide producers resistant stock before the next planting season in the event of a natural or intentional catastrophic disease or pest outbreak. The CSREES budget includes an increase of \$22 million to support the non-Federal laboratories in the new unified Federal-State diagnostic network established in 2002 to reinforce and supplement the Federal diagnostic facilities maintained by APHIS. The budget also includes \$5 million for establishing a Higher Education Agrosecurity Program that will provide capacity building grants to universities for interdisciplinary degree programs to prepare food defense professionals. (See page 19.)
- **Ensuring the safety of the Nation's food supply.** ARS' 2005 budget includes a \$14.4 million increase for food safety research. This increase supports the development of methodologies that will rapidly and accurately detect, identify, and differentiate the most critically and economically important foodborne pathogenic bacteria, viruses and chemicals of food safety concern. (See page 90.)

HIGHLIGHTS BY GOAL

STRATEGIC GOAL 4: IMPROVE THE NATION’S NUTRITION AND HEALTH.

USDA promotes America’s health through food and nutrition education, guidance and promotion to the general public and to target groups as well as through research on human nutrition and healthy diets. USDA programs teach, inform and motivate Americans to use this information to improve their diets and physical activity patterns. USDA has three key objectives which support the achievement of this strategic goal. The three key objectives are (1) improve access to nutritious food; (2) promote healthier eating habits and lifestyles; and (3) improve food program management and customer service. The following table displays funding within strategic goal 4:

**Improve the Nation's Nutrition and Health
(Dollars in Millions)**

Program	2003 Actual	2004 Estimate	2005 Budget
Food, Nutrition and Consumer Services.....	\$41,855	\$45,410	\$47,878
Research, Education and Economics.....	235	226	240
Total, Strategic Goal 4.....	\$42,090	\$45,636	\$48,118

Food, Nutrition, and Consumer Services

The 2005 budget reflects a record \$47.9 billion for domestic nutrition assistance programs. This amount funds the projected needs of the Food Stamp, Child Nutrition, WIC and other nutrition assistance programs. These funds are needed to ensure low-income families have access to an adequate diet, as we work to ensure that they understand how to improve and maintain their health through proper nutrition and physical activity. Highlights of the 2005 domestic nutrition assistance budget are summarized below. Additional details are presented beginning on page 59.

- **Support for an estimated 24.9 million food stamp participants.** The budget supports an anticipated increase in participation of 1.2 million over 2004 and 3.6 million over 2003, increases of about 5 percent and almost 17 percent, respectively. The 2005 budget for the Food Stamp Program is \$29.1 billion, an increase of \$2 billion above 2004 and \$5 billion above 2003. The budget proposes a \$3 billion contingency fund to cover unanticipated increases in participation as well as indefinite funding authority which would make additional funds available, without requiring further Congressional action, if program needs exceed the anticipated level. Funding is also included for food stamp nutrition education, which is critical for achieving the key performance measures of reducing obesity and hunger and increasing the Healthy Eating Index (HEI) scores. Funding is also provided for efforts to improve participation rates among eligible applicants and to improve program accuracy rates. The 2005 budget excludes special military pay when determining food stamp benefits for deployed members of the armed services. Military personnel often receive supplements to their basic pay when they serve in combat. This proposal supports the families of

HIGHLIGHTS BY GOAL

servicemen and servicewomen fighting overseas by ensuring that they do not lose food stamps as a result of this additional income.

- **Support for a monthly average of 7.86 million low-income, nutritionally at-risk WIC participants.** The President's budget provides a total WIC program level of \$4.9 billion; an increase of \$86 million above 2004 and \$207 million above 2003. WIC has grown to be a vital part of the nutrition safety net, providing better nutrition and a gateway to healthcare for needy participants during the stage in life when such assistance can make the most difference. The budget request includes \$20 million for State management information system improvements, \$20 million to support breastfeeding promotion through peer counselors, and \$5 million for the WIC Childhood Obesity Prevention Demonstration Projects. This funding is critical for achieving the key performance measures of reducing obesity and hunger, improving HEI scores, breastfeeding rates, and program integrity.
- **Support for balanced meals for school children via the School Lunch Program serving an average of 29.2 million children each day, and the School Breakfast Program serving 9.0 million children each day.** The 2005 budget funds the Child Nutrition Programs at a program level of \$12 billion, an increase of \$361 million above 2004. This level provides an increase to meet projected participation growth and for food cost inflation. The School Lunch Program projects 4.9 billion reimbursable meals in 2005, an increase of 1.3 percent over the 2004 level. The proposed funding is critical for achieving the key performance measures of reducing obesity and hunger, improving HEI scores, improving participation rates among eligible participants and reducing certification rates of ineligible participants. The Child Nutrition Programs are due to be reauthorized in 2004. As part of the reauthorization, the Administration will work with Congress to make improvements in program integrity without creating barriers and target investments to improve the nutritional quality of meals.

Research, Education and Economics

REE conducts scientific and socioeconomic research and nutrition education programs that enable people to make informed food choices and reduce disease prevalence and obesity and enhance quality of life.

- **Produce new scientific information which will assist in promoting health and preventing obesity.** The ARS budget proposes an increase of \$5 million to establish coordinated obesity prevention research projects at the six ARS Human Nutrition Research Centers to assess the benefits from the long-term consumption of self selected "healthy" diets in diverse populations in preventing obesity and related illness. Additionally, ARS will develop and evaluate behavioral strategies that promote the selection of healthy foods that will lead to healthy body weight. (See page 90.)
- **Understand the relationship between the food supply and consumer knowledge, behavior and health.** The budget supports an increase of \$8.7 million for the Economic Research Service (ERS) to develop a data and analysis framework of the post-farm food system to identify, understand and track changes in food supply and consumption patterns

HIGHLIGHTS BY GOAL

and to explore the relationship between consumers' knowledge and attitudes and their consumption patterns. The results provided by this initiative will play an important role in making policy decisions in the food, health and consumer arenas. (See page 97.)

- **Supporting competitive research for understanding the factors associated with overweight and obesity.** A major initiative funded by the NRI increase will support interdisciplinary research, including physiological, environmental, cultural, social and behavioral studies, that will identify the root causes of obesity and the factors which contribute to its onset and its adverse effect on National health and well-being.

STRATEGIC GOAL 5: PROTECT AND ENHANCE THE NATION'S NATURAL RESOURCE BASE AND ENVIRONMENT.

The management of our natural resources, both public and private, is a continual balancing act between competing concerns. In maintaining this balance, it is imperative that a portfolio approach be utilized that incorporates various conservation management tools including technical assistance, cost-share, incentive, land retirement, easement and regulatory assistance programs. USDA has two key objectives which support the achievement of strategic goal 5. The two key objectives are (1) implement the President's Healthy Forest Initiative and other actions to improve management of public lands; and (2) improve management of private lands. The following table displays funding within strategic goal 5:

**Protect and Enhance the Nation's Natural Resource Base and Environment
(Dollars in Millions)**

Program	2003 Actual	2004 Estimate	2005 Budget
Farm and Foreign Agricultural Services.....	\$1,930	\$2,047	\$2,105
Natural Resources and Environment.....	7,925	8,170	7,872
Research, Education and Extension.....	454	452	390
Total, Strategic Goal 5.....	\$10,309	\$10,669	\$10,367

Farm and Foreign Agricultural Services

FFAS administers the Conservation Reserve Program (CRP) and the Emergency Conservation Program. CRP is USDA's largest conservation/environmental program. The purpose of CRP is to assist farm owners and operators in conserving and improving soil, water, air, and wildlife resources by retiring environmentally sensitive land from agricultural production and keeping it under long-term resource-conserving cover. CRP participants enroll acreage for periods of 10 to 15 years in return for annual rental payments and cost-share and technical assistance for installing approved conservation practices. As of September 2003, CRP enrollment totaled 34.2 million acres. A total enrollment of 36.3 million acres is projected for 2005. The Emergency Conservation Program (ECP) provides a portion of the cost of carrying out practices to assist and encourage farmers to rehabilitate farmland damaged by natural disasters.

HIGHLIGHTS BY GOAL

Natural Resources and Environment

The Administration is committed to preserving natural resources for future generations through assistance to farmers, ranchers, and other private landowners and through sound management of public lands. In 2005, NRE will support this goal with \$7.9 billion in total funding. The budgets for NRCS (see page 69) and Forest Service (see page 74) programs include resources to:

- **Provide technical and financial assistance to enhance the conservation of natural resources on private lands.** The USDA budget includes \$1.8 billion in funding for Farm Bill conservation programs administered by NRCS, an increase of \$217 million over the 2004 estimate. The budget also includes funding levels that will support ongoing technical assistance needs including those activities that focus on the locally led, voluntary conservation effort. Technical assistance needed to operate two of the Department's most important conservation initiatives, the Conservation Reserve and Wetlands Reserve Programs, will come from an appropriated account that is funded at \$92 million in the 2005 budget.
- **Reduce the risk from catastrophic fire and implement the President's Healthy Forests Initiative.** The 2005 budget maintains funding for National Fire Plan activities and is faithful to commitments made to increase efforts to fight wildfires, reduce the risk of fire, and assist communities including: \$266 million for hazardous fuels reduction (provides for the treatment of approximately 1.8 million acres); \$666 million for fire preparedness; and \$686 million for suppression activities which provides funding at the 10-year average. In addition, the Department is dedicated to implementing the President's Healthy Forests Initiative, including fully funding the Healthy Forests Restoration Act. The Administration has completed administrative steps and worked with a bipartisan Congressional coalition to pass needed legislation. Using the statutory authority and the administrative process improvements, the Forest Service will continue to improve the health of our public lands.
- **Enhance the ability of the National Forest System to meet multiple demands.** A total of \$1.7 billion is provided for management of the National Forest System. This includes an additional \$21 million in inventory and monitoring to track the rate of change in forests due to the implementation of the President's Healthy Forest Initiative, and the effect of resource management activities under the new forest planning regulations. The budget also includes an additional \$7 million for the minerals and geology and management program to implement the Administration's National Energy Policy. In addition, the budget includes \$274 million to support a timber sales offer level of approximately 2.2 billion board feet, depending on salvage sales volume. (See page 76.)

HIGHLIGHTS BY GOAL

Research, Education and Economics

REE is the National source for high-quality, relevant, and objective physical, biological, and socioeconomic data and analysis on links among natural resources, environmental quality, technological change, and agricultural and nonagricultural activities. Furthermore, REE ensures that the data and analytical results reach policymakers, program managers, producers, and consumers through formal education, Extension education, information access, and technology transfer programs.

- **Support the President's Climate Change Research Initiative.** The ARS budget includes a \$5.2 million increase to conduct and coordinate interagency ecosystems research which will build the scientific foundation and enhanced capability for forecasting responses of ecosystems to multiple environmental changes such as climate, atmospheric chemistry, and land use management, and for developing products that can be used to support decision making.

DEPARTMENTAL ACTIVITIES

USDA is working to strengthen management through the President's Management Agenda as well as Department-wide and agency-specific reforms. Better management will result in more efficient program operations that offer improved customer service and more effective stewardship of taxpayer funds. The following are some significant examples of the Department's progress in improving management:

- The Department received its first-ever unqualified or "clean" audit opinion on the 2002 financial statements and received a clean opinion again in 2003. All of the Department's agencies now use a single financial information system that meets Federal standards.
- USDA agencies are deploying new electronic signature technologies that allow customers to conduct business transactions with the Department over the Internet, saving both customers and the Department time and money.
- The Department has developed a comprehensive set of performance goals, measures, and targets for USDA activities. Special attention was given to programs reviewed by OMB's Program Assessment Rating Tool (PART). This performance data now plays an integral role in the Department's decision-making process, and was used in developing the Department's FY 2005 budget proposal.

The Department is committed to making other reforms needed to make the Department an efficient, effective and discrimination-free organization that provides improved customer service and more effective stewardship of taxpayer funds. This plan was used to help develop the 2005 budget request.

HIGHLIGHTS BY GOAL

The following table displays funding for Management Activities:

Management Activities (Dollars in Millions)			
Program	2003 Actual	2004 Estimate	2005 Budget
Departmental Activities.....	\$580	\$518	\$632

The 2005 budget includes a total of \$632 for departmental activities, comprised of \$159 million for Departmental offices; \$236 million for centrally financed activities; \$22 million for the Office of Civil Rights; \$78 million for the Office of the Inspector General; and \$137 million for the Service Center Modernization Initiative/Common Computing Environment. Highlights of increases include:

- An increase of \$30 million for Departmental offices to fund current staff and support key initiatives, such as continuing to improve the security of the Department’s information technology systems to minimize disruptions caused by malicious intrusions or other catastrophes, and supporting the Administration’s goal to increase the procurement of biobased products. (See page 101.)
- An increase of \$61 million for centrally financed activities primarily to pay rent increases and continue the renovation of the Department’s South Building in Washington, D.C. Funding is also requested for disaster recovery and continuity of operations technology of the National Finance Center's data.
- An increase of \$4 million for the Office of Civil Rights to continue making progress in addressing EEO and civil rights issues. The budget reflects the high priority the Department places in this Office’s work to ensure that USDA provides fair and equitable services and benefits to all customers, as well as upholds the civil rights of its employees. (See page 105.)
- An increase of \$18 million for the Service Center Modernization Initiative to continue to modernize the common information systems used by the Service Center Agencies to improve their administration and customer service, and to continue the incorporation of Geographic Information Systems (GIS) data for improved soil and land-use analysis. (See page 107.)

FOOD AND AGRICULTURE DEFENSE INITIATIVE

UNITED STATES DEPARTMENT OF AGRICULTURE FY 2005 Food and Agriculture Defense Initiative (Dollars in Millions)

	Agency	2003 Actual	2004 Estimate	2005 Budget
Food Defense:				
Surveillance and Monitoring.....	FSIS	\$1	\$1	\$6
Food Emergency Response Network (FERN).....	FSIS	0	0	14
FSIS Enhanced Inspections.....	FSIS	0	2	2
Laboratory Upgrades and Physical Security.....	FSIS	1	3	6
Education/Training.....	FSIS	2	2	4
All Other.....	FSIS	4	4	4
Research.....	ARS	2	2	16
Subtotal, Food Defense.....		11	15	53
Agriculture Defense:				
Ames, IA BSL-3 Facility.....	ARS	143	0	178
Research.....	ARS	10	12	15
National Plant Disease Recovery System.....	ARS	0	0	6
Regional Diagnostic Network.....	CSREES	0	8	30
Higher Education Agrosecurity Program.....	CSREES	0	0	5
Pest Detection/Animal Health Monitoring:				
Enhanced Surveillance.....	APHIS	0	0	34
State Cooperative Agreements.....	APHIS	4	4	10
Biosurveillance.....	APHIS	0	0	5
Select Agents - Plants.....	APHIS	0	0	1
National Veterinary Vaccine Bank.....	APHIS	0	0	7
All Other.....	APHIS	37	40	38
Subtotal, Agriculture Defense.....		193	65	328
Total, Food and Agriculture Defense Initiative.....		\$204	\$79	\$381

Response to September 11, 2001. Shortly after the events of September 11th, USDA formed a Homeland Security Council within the Department to develop a Department-wide plan and coordinate efforts among all USDA agencies and offices. Efforts have focused on three key areas: food supply and agricultural production, USDA facilities, and USDA staff and emergency preparedness. Activities were largely funded from \$328 million provided to USDA through an Emergency Defense Supplemental. Highlights include:

FOOD AND AGRICULTURE DEFENSE INITIATIVE

Protecting U.S. borders by:

- helping the Department of Homeland Security prevent the introduction of agricultural health threats by transferring approximately 2,600 Agricultural Quarantine Inspectors; and
- hiring 20 new meat and poultry import surveillance liaison officers at ports of entry.

Protecting farm animals and crops from disease outbreaks and pest infestations by:

- providing grants to land-grant universities and State veterinary diagnostic laboratories around the country to create plant and animal health laboratory diagnostic networks that have increased the Department's capability to respond in an emergency;
- conducting ongoing Foreign Animal Disease Awareness Training Seminars for Federal and State veterinarians including emergency preparedness satellite seminars to share vital information with State and local planners, military representatives and academia on emergency preparedness; and
- issuing regulations with the U.S. Department of Health and Human Services to establish new safeguards for the control of select agents that could pose a threat, in accordance with the Agriculture Bioterrorism Protection Act of 2002.

Protecting the supply of meat, poultry and egg products by:

- increasing laboratory capacity to test for additional hazards and biological agents; and
- implementing the national Consumer Complaint Monitoring System, a surveillance and sentinel system that monitors and tracks food-related consumer complaints.

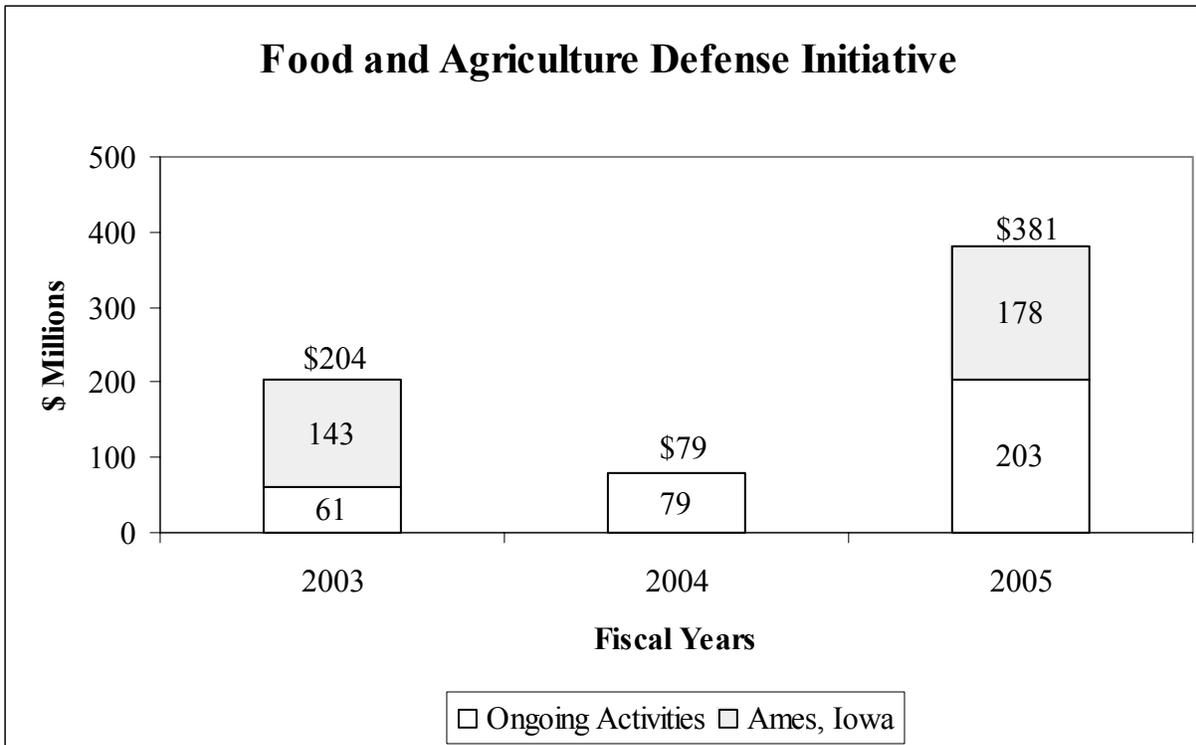
Improving agricultural and food safety research and laboratory facilities by:

- developing policies for sponsoring foreign visiting scientists, including a tracking system for all foreign visitors to USDA facilities, beginning with the BSL-3 locations;
- upgrading the physical security at laboratory facilities based upon security assessments;
- increasing research directed at improving rapid detection and pathogen information systems; and
- beginning construction of a consolidated state-of-the-art BSL-3 animal research and diagnostic laboratory at Ames, Iowa.

Enhancing emergency preparedness and response by:

- establishing a Homeland Security Staff to coordinate the USDA response to natural and terrorist threats including expanding the National Interagency Incident Management System (NIIMS) Departmentwide;
- ensuring continuity of operations at alternate work places; and
- testing a single, comprehensive approach to domestic incidents in the Administration-wide Liberty Shield exercise.

FOOD AND AGRICULTURE DEFENSE INITIATIVE



Fiscal Year (FY) 2005 Initiative. The Homeland Security Council (HSC) Biodefense End-to-End Assessment, conducted in cooperation with all relevant U.S. Government agencies, identified early attack warning and surveillance as a top priority to prepare against a potential bioterrorist attack. The 2005 budget funds an interagency initiative to improve the Federal Government's capability to rapidly identify and characterize such an attack. This initiative will improve national surveillance capabilities in human health, food, agriculture, and environmental monitoring. It will promote data sharing and joint analysis among these sectors at the Federal, State, and local levels and also will establish a comprehensive Federal-level multi-agency integration capability led by the Department of Homeland Security (DHS) to rapidly compile these streams of data and preliminary analyses and integrate and analyze them with threat information.

The infrastructure developed in response to September 11, 2001 has enabled the Department to become a strong partner in the Administration's biodefense initiative. The highlights of the USDA contributions to the Food and Agriculture Defense Initiative include:

Enhancing food defense by:

- increasing surveillance and monitoring of pathogens and other hazards in meat, poultry and eggs and establishing connectivity with the integration and analysis function at DHS;
- establishing a Food Emergency Response Network (FERN) with participating laboratories including implementation of the Electronic Laboratory Exchange Network (eLEXNET) and an electronic methods repository; and strengthening research to develop diagnostic methods for quickly identifying various pathogens and contaminated foods; and

FOOD AND AGRICULTURE DEFENSE INITIATIVE

- developing diagnostic methods to quickly identify pathogens and contaminated foods.

Enhancing agriculture defense by:

- providing funds for completing the consolidated state-of-the-art BSL-3 animal research and diagnostic laboratory at Ames, Iowa;
- establishing a National Plant Disease Recovery System that will quickly coordinate with the seed industry to provide producers with resistant stock before the next planting season in the event of a natural or intentional catastrophic disease or pest outbreak;
- expanding the Regional Diagnostic Network with links to the National Agricultural Pest Information System;
- establishing a Higher Education Agrosecurity Program that will provide capacity building grants to universities for interdisciplinary degree programs to prepare food defense professionals;
- substantially enhancing the monitoring and surveillance of pests and diseases in plants and animals, including targeted National wildlife surveillance;
- increasing State Cooperative Agreements to better select and identify plant and animal health threats;
- increasing biosurveillance of pests and diseases in plants and animals and establishing connectivity with the integration and analysis function at DHS;
- establishing a system to track select disease agents of plants; and
- increasing the availability of vaccines through the National veterinary vaccine bank.

BSE RELATED ACTIVITIES

UNITED STATES DEPARTMENT OF AGRICULTURE Bovine Spongiform Encephalopathy Related Activities (Dollars in Millions)

	2003 Actual	2004 Estimate	2005 Budget
Bovine Spongiform Encephalopathy (BSE) Related Activities			
Research and Methods Development:			
Agricultural Research Service.....	\$4	\$4	\$5
Control:			
Animal and Plant Health Inspection Service			
BSE Surveillance.....	8	8 ^{a/}	17
Animal ID.....	0	0	33
Subtotal, Control.....	8	8	50
Regulatory:			
Food Safety and Inspection Service.....	1	1	4
Grain Inspection, Packers and Stockyards			
Administration, Market Reviews.....	0	0	1
Subtotal, Regulatory.....	1	1	5
Total, BSE.....	\$13	\$13	\$60

^{a/} Excludes \$10.5 million in emergency funding transferred from the Commodity Credit Corporation.

The Administration has taken aggressive actions to deal with the December 2003, detection of a cow that tested positive for bovine spongiform encephalopathy (BSE) in the State of Washington. These actions are based on a BSE response plan which has been in place since 1990 and has been continuously updated to reflect the latest available knowledge about this disease. As late as August 2003, Harvard University reaffirmed the findings of an initial 2001 study indicating that systems already in place would prevent BSE from spreading if it were found in the United States. Actions include:

- Tracing efforts which have been remarkably successful. Immediately upon learning of the BSE find, the Department began an investigation focused on the 81 animals from the Canadian birth herd. Of these 81 animals, it has been determined that 25 are most likely to have been exposed to the same feed source. A statistical examination of culling rates indicates that 11 of those 25 animals would still be found alive. In fact, 14 of those 25 animals have been found. Although the investigation is ongoing, it is unlikely that all the remaining animals will be found. International experience and scientific assessment strongly indicate that even animals which are not found will not pose a significant risk to public health or animal health.

BSE RELATED ACTIVITIES

- Trace forward of the products which determined that high-risk products such as brain and spinal cord did not enter the food system. Nevertheless, all of the meat that came out of that plant on the day in question was recalled.
- Immediately informing the public and one week later, on December 30, 2003, announcing a series of actions to further enhance the Department's already strong safeguards. These included an immediate ban on nonambulatory or so-called downer animals from the food system and further restrictions on specified risk materials such as brain and spinal cord from entering the food supply.
- Convening an international panel of experts to review USDA's investigative efforts and recommend possible further enhancements.
- Directing the Department's Chief Information Officer to oversee the design of a National Animal Identification Program, which is uniform, consistent and efficient.
- Continuing to work with trading partners. Regaining export markets is a top priority for the Administration, and the international response must reflect what science tells us. Unfortunately, most export markets for U.S. beef, including key buyers – Japan, Mexico, Korea and others – immediately closed their markets to U.S. beef, accounting for 10 percent of U.S. beef production that now must be absorbed in the domestic market. The loss of exports had an immediate impact on the cattle market, resulting in an initial drop of 15 to 20 percent in cattle prices on cash and futures markets while remaining above year-ago levels.
- Directing USDA staff at U.S. embassies abroad to continue to inform foreign governments of actions taken and reassure them of the safety of U.S. beef.
- Requesting license applications for BSE rapid test kits. While these tests, among other things, are less sensitive than the immunohistochemistry (IHC) test that USDA has designated as its official test for BSE, they can produce results for screening purposes more quickly. Internationally, the IHC is considered the “gold standard” diagnostic test.
- Reconsidering last fall's proposal to allow live animals and certain other products to enter the United States. The comment period on that rule closed January 5, 2004. After the investigation is complete, a determination will be made how to obtain further public comment on that proposal, or if the original proposal needs to be revised.

As part of the President's Budget for 2005, USDA requests:

- \$5 million for ARS to conduct advanced research and development of BSE testing technologies;
- \$17 million for APHIS to continue collecting 40,000 samples and including sampling at rendering plants and on farms;

BSE RELATED ACTIVITIES

- \$33 million to further accelerate a National Animal ID System;
- \$4 million for FSIS to conduct monitoring and surveillance of compliance with the regulations for specified risk materials and advanced meat recovery; and,
- \$1 million for GIPSA to enable them to dispatch rapid response teams to markets experiencing BSE related complaints regarding contracts or lack of prompt payment.

FARM AND FOREIGN AGRICULTURAL SERVICES

MISSION

The mission of the Farm and Foreign Agricultural Services (FFAS) area is to enhance economic opportunities for U.S. agriculture through delivery of commodity, credit, conservation, insurance, and export programs. FFAS agencies include the Farm Service Agency (FSA), the Risk Management Agency (RMA), and the Foreign Agricultural Service (FAS). The Commodity Credit Corporation (CCC) is the source of funding for most of the conservation and commodity programs administered by FSA and the export programs administered by FAS.

The FFAS mission area has primary responsibility for most of USDA's program delivery activities addressing USDA strategic goal 1: Enhance Economic Opportunities for Agricultural Producers. The mission area has responsibilities for work on four key objectives which support this strategic goal. These objectives are (1) expand international marketing opportunities; (2) support economic development and trade capacity building; (3) expand alternative markets for agricultural products and activities; and (4) provide risk management and financial tools to farmers and ranchers.

FFAS also plays an important role in support of USDA strategic goal 5: Protect and Enhance the Nation's Natural Resource Base and Environment. FFAS administers and provides support for some of the key programs to improve management of private lands which is one of two key objectives supporting the strategic goal.

The three agencies of FFAS are:

- FSA delivers farm credit, disaster assistance, and commodity and related programs in support of USDA strategic goal 1. FSA also administers some of the USDA conservation programs in support of strategic goal 5. FSA provides administrative support for the Commodity Credit Corporation (CCC) which funds most of the commodity, export and some of the conservation programs of USDA. FSA operates an extensive network of local Service Center based offices for program delivery.
- FAS is the lead agency for the Department's international activities. Operating on a global basis, FAS has five key objectives that support USDA's strategic objective of enhancing economic opportunities for America's agricultural producers: (1) increasing access to overseas markets through trade policy negotiations and compliance monitoring; (2) developing overseas markets for U.S. agricultural products through export promotion programs and services; (3) providing information and analysis on overseas agricultural production and trade; (4) administering commercial credit and risk assistance programs to enhance U.S. competitiveness in global markets; and (5) promoting trade capacity building and fostering food security through foreign food aid, technical assistance, training, and related activities.
- RMA administers the Federal crop insurance program which plays an important role in support of USDA strategic goal 1. The Federal crop insurance program provides a "safety net" by protecting producers against a wide range of risks caused by natural disasters as

FARM AND FOREIGN AGRICULTURAL SERVICES

well as the risk of price fluctuations. Participation in the Federal crop insurance program is voluntary, however, participation is encouraged through premium subsidies.

FARM SERVICE AGENCY (FSA)

**Program Level
(Dollars in Millions)**

Program	2003 Actual	2004 Estimate	2005 Budget
Farm Loan and Grant Programs.....	\$3,832	\$3,501	\$3,807
Commodity Programs.....	25,480	20,731	22,066
Conservation and Other Programs.....	1,789	1,908	1,960
Salaries and Expenses.....	1,250	1,266	1,317
Total, FSA.....	<u>\$32,351</u>	<u>\$27,406</u>	<u>\$29,150</u>

FARM AND FOREIGN AGRICULTURAL SERVICES

**Farm Service Agency
Farm Loan and Grants Programs
Program Level (P.L.) and Budget Authority (B.A.)
(Dollars in Millions)**

Program	2003 <u>Actual</u>		2004 <u>Estimate</u>		2005 <u>Budget</u>	
	P.L.	B.A.	P.L.	B.A.	P.L.	B.A.
Farm Operating Loans:						
Guaranteed Unsubsidized.....	\$1,034	\$33	\$1,246	\$41	\$1,200	\$39
Guaranteed Subsidized.....	422	50	271	35	266	35
Direct.....	695	120	615	89	650	66
Total, Operating Loans.....	2,151	203	2,132	165	2,116	140
Farm Ownership Loans:						
Guaranteed Unsubsidized.....	1,280	9	944	5	1,400	7
Direct.....	169	20	128	28	200	11
Total, Ownership Loans.....	1,449	29	1,072	33	1,600	18
Emergency Loans <u>a/</u>	129	26	191	26	25	3
Indian Land Acquisition Loans.....	<u>b/</u>	<u>b/</u>	2	0	2	<u>b/</u>
Boll Weevil Eradication.....	99	<u>b/</u>	100	0	60	0
Total, Farm Loan Programs.....	3,828	258	3,497	224	3,803	161
State Mediation Grants.....	4	4	4	4	4	4
Total, Farm Loan and Grants Programs..	\$3,832	\$262	\$3,501	\$228	\$3,807	\$165

a/ Amounts for 2003 and 2004 are from funds carried over as prior year unobligated balances.

b/ Less than \$0.5 million.

The farm credit programs provide an important safety net for America's farmers by providing a source of credit when they are temporarily unable to obtain credit from commercial sources. Consistent with the Administration's policies on food and agriculture, the farm credit programs play an important role in enhancing the infrastructure of the food and agricultural system. The 2005 budget supports about \$3.8 billion in direct and guaranteed farm loans. This compares to a total program level of \$3.5 billion estimated for 2004. As a result of improved repayments and changes in economic assumptions, the amount of subsidy necessary to fund the farm credit programs has generally decreased.

As has been the case for several years, greater levels of assistance will be offered through guaranteed loans rather than direct loans. Guaranteed loans have lower subsidy costs and are serviced by private lenders. Guaranteed farm operating loans are commonly used by private lenders to continue serving borrowers who become higher credit risks due to economic adversity. Guaranteed farm ownership loans are a critical source of credit for some borrowers because they allow real estate equity to be used to restructure short-term debt. Emphasis will continue to be

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placed on providing assistance to socially disadvantaged farmers. As required by statute, a portion of both direct and guaranteed farm operating and ownership loan funds are targeted to socially disadvantaged borrowers based on county level demographic data. Although targets vary by loan program and county, on average about 14 percent of loan funds are targeted to socially disadvantaged borrowers.

The 2005 budget proposes loan levels that generally reflect actual usage in recent years. For farm operating loans, the 2005 budget provides \$650 million for direct loans and about \$1.5 billion for guaranteed loans. These loan levels will serve an estimated 22,000 farmers, about 14,000 of whom will receive direct loans. The availability of farm operating loans provides farmers with short term credit to finance the costs of continuing or improving their farming operations, such as purchasing seed, fertilizer, livestock, feed, equipment and other supplies.

For farm ownership loans, the 2005 budget provides \$200 million in direct loans and \$1.4 billion for guaranteed loans. The 2005 levels will provide almost 6,500 people with the opportunity to either acquire their own farm or keep an existing one. About 1,700 borrowers would receive direct loans and 4,800 would receive guaranteed loans.

The 2005 budget includes \$25 million for emergency loans. In 2003 and 2004, no funding was requested for emergency loans due to the availability of carry-over funding from prior years supplemental appropriations. The level of funding requested is expected to be sufficient to fund the emergency loan program given “normal” weather conditions. The 2005 budget also provides funding for Indian land acquisition loans and the Boll Weevil Eradication Loan Program. Due to the successful completion of some eradication programs the 2005 budget requests \$60 million for this program compared to \$100 million estimated for 2004.

Funding for State Mediation Grants would be maintained at \$4 million. These grants are made to States to help support certified programs that provide alternative dispute resolution on a wide variety of agricultural issues. Mediation benefits family farmers, including many low-income and socially disadvantaged farmers, who, because of mediation, are often able to resolve credit and other issues and remain on the farm.

A program assessment rating tool (PART) evaluation of the guaranteed loan programs was conducted as part of the 2005 budget formulation process. The PART analysis revealed that the purpose and management of the guaranteed loan programs were focused and clear but, additional planning and performance measurement were needed. As a result of the analysis, the Administration has begun a process to develop meaningful outcome oriented measures and goals for the guaranteed loan programs.

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Farm Service Agency Commodity Credit Corporation (Dollars in Millions)

Program	Program Levels			Net Outlays		
	2003	2004	2005	2003	2004	2005
Commodity Programs:						
Price Support and Marketing						
Assistance Loans.....	\$10,718	\$8,284	\$9,209	\$4,306	\$1,891	\$1,825
Loan Deficiency Payments.....	693	810	1,129	693	810	1,129
Direct Payments.....	4,152	5,375	5,284	4,152	5,375	5,284
Countercyclical Payments.....	1,743	2,136	3,775	1,743	2,136	3,775
Milk Income Loss Contract Payments.....	1,796	1,500	900	1,796	1,500	900
Market Loss Assistance Payments.....	167	1	0	167	1	0
Noninsured Assistance Payments.....	237	302	324	237	302	324
Farm Storage Facility Loans.....	63	60	60	4	1	1
Cotton User Marketing Payments.....	455	165	28	455	165	28
Peanut Quota Payments.....	1,221	19	19	1,221	19	19
Other Direct Payments.....	101	18	2	101	18	2
Purchases and Sales.....	1,583	920	804	-2,406	-1,018	-1,237
Disaster Assistance.....	2,119	504	0	2,119	504	0
Interest Expenditures.....	150	172	229	49	72	85
Other.....	282	465	303	-90	654	504
Total, Commodity Programs.....	25,480	20,731	22,066	14,547	12,430	12,639
Conservation Programs:						
CRP Program Payments.....	1,789	1,884	1,960	1,789	1,884	1,960
Other Conservation Programs.....	0	0	0	166	251	152
Total, Conservation Programs.....	1,789	1,884	1,960	1,955	2,135	2,112
Export Programs:						
Export Credit.....	3,223	4,275	4,528	616	308	269
Market Access Program.....	110	125	125	103	119	122
Foreign Market Development						
(Cooperator) Program.....	34	34	34	32	34	34
Emerging Markets Program.....	10	10	10	14	13	12
Technical Assistance for Specialty						
Crops Program.....	2	2	2	0	2	2
Quality Samples Program.....	2	2	2	1	2	2

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**Farm Service Agency
Commodity Credit Corporation
(Dollars in Millions)**

Program	Program Levels			Net Outlays		
	2003	2004	2005	2003	2004	2005
Export Enhancement Program.....	0	28	28	0	28	28
Dairy Export Incentive Program.....	32	22	53	49	22	53
Food for Progress Program.....	137	128	149	203	145	143
Section 416(b) Donations <u>a/</u>	55	15	15	342	26	30
Other.....	11	11	12	11	12	12
Total, Export Programs.....	3,616	4,652	4,958	1,371	711	707
Subtotal, CCC.....	30,885	27,267	28,984	17,873	15,276	15,458
Pre-credit Reform Loan Repayments.....	0	0	0	-448	-440	-454
Total, CCC.....	\$30,885	\$27,267	\$28,984	\$17,425	\$14,836	\$15,004

a/ Ocean freight and overseas distribution costs.

The Commodity Credit Corporation (CCC) provides funding for commodity programs administered by FSA, conservation programs administered by FSA and NRCS, and export programs administered by FAS. CCC borrows funds needed to finance these programs from the U.S. Treasury and repays the borrowings, with interest, from receipts and from appropriations provided by Congress.

Changes over the last decade in commodity, disaster, and conservation programs have dramatically changed the level, mix, and variability of CCC outlays. CCC net outlays have declined from a record high of \$32.3 billion in 2000 to \$17.4 billion in 2003. Projected outlays are about \$14.8 billion in 2004 and \$15.0 billion in 2005 reflecting the provisions of the 2002 Farm Bill. CCC outlays in 2003 and in some prior years also included substantial levels of emergency disaster and other *ad hoc* supplemental assistance.

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Farm Service Agency Commodity Program Outlays (Dollars in Millions)

Program	2003 Actual	2004 Estimate	2005 Budget
Commodity:			
Feed Grains.....	\$1,572	\$3,778	\$4,416
Wheat.....	1,118	1,796	3,176
Rice.....	1,279	1,198	1,327
Upland Cotton.....	2,889	1,163	815
Tobacco.....	179	20	-100
Dairy.....	2,494	1,919	1,237
Soybeans and Products.....	933	579	648
Minor Oilseeds.....	41	31	27
Peanuts.....	1,562	625	351
Sugar.....	-84	-25	0
Honey.....	1	6	0
Wool and Mohair.....	20	14	14
Other Crops.....	120	62	90
Subtotal.....	12,124	11,166	12,001
Disaster Assistance.....	2,119	504	0
Other ^{a/}	304	760	638
Total, Commodity Programs.....	<u>\$14,547</u>	<u>\$12,430</u>	<u>\$12,639</u>

^{a/} Includes working capital, interest, operating expenses, reimbursable agreements, and an adjustment for Food for Progress commodity purchases.

Commodity loan and income support programs are administered by FSA and financed through CCC. These programs constitute the majority of CCC outlays. The commodity programs were changed by provisions of the Farm Bill. The Farm Bill continued to provide direct payments to producers of feed grains, wheat, upland cotton and rice who had received fixed production flexibility contract payments under the 1996 Farm Bill. The direct payments, based on historical program acreage and yields, are set by law and do not vary with market prices or current plantings. Soybeans, other oilseeds, and peanuts are also made eligible for direct payments for the first time by the Farm Bill.

The Farm Bill also enacted a new counter-cyclical payment program for producers of the above crops which provide payments when market prices decline below specified target prices. Producers were also given an opportunity to update historical acreage bases and yields for use in determining counter-cyclical payments. Nearly 1.9 million farms were enrolled in the new program in 2003. The CCC marketing assistance loan programs for the above commodities were continued and were also provided for wool, mohair, honey, and pulses to provide protection against sharp declines in market prices. Marketing assistance loan program levels doubled between 1997 and 2000 and remained at relatively high levels through 2003, but are projected to

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decline moderately in 2004 and 2005. Loan deficiency payments which totaled \$5.3 billion in 2002 declined to \$0.7 billion in 2003 as prices for several commodities rose. A program evaluation of the marketing loan assistance program conducted as part of the 2005 budget formulation process determined that the program was moderately effective. Projected levels for 2004 are \$0.8 billion and for 2005 are \$1.1 billion as relatively favorable market conditions are projected to continue.

The Farm Bill dramatically increased dairy program outlays by establishing a direct payment tied to milk production. The Milk Income Loss Contract program provides payments equal to 45 percent of the difference between \$16.94 per hundredweight and the Class I milk price per hundredweight in Boston under the applicable Federal milk marketing order. Continued CCC purchases of nonfat dry milk, due to low prices, have also increased outlays for the dairy price support program. Nearly \$2.5 billion was expended in 2003 for the Milk Income Loss Contract program and the dairy price support program. Projected levels for 2004 and 2005 are \$1.9 billion and \$1.2 billion respectively. The historic peanut program which provided high price support and quotas was abolished by the Farm Bill and peanut producers now receive payments and marketing assistance loans similar to other crops.

The budget proposes to limit the CCC bioenergy incentive program to \$100 million in 2005, instead of \$150 million provided by the Farm Bill. A program evaluation of this program conducted during the 2005 budget formulation process suggested that additional incentives for ethanol were less critical than other Federal assistance, including tax credits and production mandates, and greater emphasis should be placed on incentives for biodiesel production rather than ethanol.

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Farm Bill Conservation Programs Program Level (Dollars in Millions)

Program	2003 Actual	2004 Estimate	2005 Budget
Commodity Credit Corporation:			
CRP Program Payments.....	\$1,789	\$1,884	\$1,960
Natural Resources Conservation Service:			
Farm Bill Technical Assistance (CRP and WRP).....	<u>a/</u>	<u>a/</u>	92
Farm Bill Programs (Funded from CCC):			
Total Budget Authority:			
Environmental Quality Incentives Program.....	691	975	1,000
Ground and Surface Water Conservation.....	45	51	60
Klamath Basin.....	11	10	8
Wetlands Reserve Program.....	285	280	295
Wildlife Habitat Incentives Program.....	29	42	60
Farm and Ranch Lands Protection Program.....	98	112	125
Grassland Reserve Program.....	54	115	84
Conservation Security Program.....	0	41	209
Biomass Research and Development.....	14	14	14
Adjustments for Technical Assistance Costs: <u>b/</u>			
Environmental Quality Incentives Program (EQIP).....	-48	-76	-15
Ground and Surface Water Conservation.....	9	15	20
Klamath Basin.....	2	2	3
Wetlands Reserve Program.....	24	18	<u>b/</u>
Wildlife Habitat Incentives Program (WHIP).....	-6	-7	-1
Farm and Ranch Lands Protection Program (FRPP).....	-21	-24	-5
Grassland Reserve Program (GRP).....	-15	-13	-2
Conservation Reserve Program.....	55	83	<u>b/</u>
Total, NRCS Farm Bill Programs.....	1,227	1,638	1,855
Total, Farm Bill Conservation Programs.....	<u>\$3,016</u>	<u>\$3,522</u>	<u>\$3,907</u>

a/ Shown under Farm Bill Programs.

b/ The Farm Bill, as amended, authorizes the technical assistance needed to implement the conservation programs listed below can come from EQIP, WHIP, FRPP, and GRP. WRP and CRP technical assistance is funded in the Farm Bill Technical Assistance account in 2005.

Conservation programs represent the third largest major component of CCC in terms of program level and the second largest in terms of net outlays.

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The Conservation Reserve Program, a CCC program, is administered by FSA in addition to the Emergency Conservation Program. All other cost-share and easement conservation programs such as the Environmental Quality Incentives Program, Wetlands Reserve Program, Farm and Ranch Lands Protection Program, and Wildlife Habitat Incentives Program are administered by the Natural Resources Conservation Service. However, FSA assists NRCS with EQIP program policy and procedures development, and implementing administrative processes and procedures for contracting, financial reporting, and other financial operations.

Conservation Reserve Program (CRP). CRP is USDA's largest conservation/environmental program. The purpose of CRP is to assist farm owners and operators in conserving and improving soil, water, air, and wildlife resources by retiring environmentally sensitive land from agricultural production and keeping it under long-term resource-conserving cover. CRP participants enroll acreage for periods of 10 to 15 years in return for annual rental payments and cost-share and technical assistance for installing approved conservation practices. The Farm Bill extended CRP enrollment authority through 2007 and increased the enrollment cap by 2.8 million acres to a total of 39.2 million acres.

Acreage that counts toward the total enrollment cap includes acres enrolled in the CRP through scheduled general signups and those enrolled through a continuous, noncompetitive signup that has been underway since September 1996 with the purpose of enrolling land in filter strips, riparian buffers, and similar conservation practices. Continuous signup includes a new initiative announced in December 2003 to restore up to 500,000 acres of floodplains by planting bottomland hardwood trees. Continuous signup acreage also includes enrollment under the Conservation Reserve Enhancement Program (CREP) that is designed to target program benefits to address specific local and regional conservation problems. At this time, 24 States have approved CREP agreements. The Farm Bill also expanded the Farmable Wetlands Pilot Program (FWP), initially authorized by the 2001 Agriculture Appropriations Act. Up to 1 million acres of wetland acreage is authorized to be enrolled under this program as part of the 39.2 million total acreage for CRP. Up to 100,000 acres per State may be enrolled. The Farm Bill also permitted managed harvesting of forage from CRP lands (subject to the requirement that environmental benefits be maintained or enhanced) and required equal consideration be given to soil erosion, water quality, and wildlife. A general signup in May and June, 2003 resulted in nearly 2 million acres being approved for enrollment. As of September 2003, CRP enrollment totaled 34.2 million acres, including 31.6 million acres under general signup, 1.9 million acres under continuous non-CREP signup, 0.5 million acres under CREP, and 88,000 acres under FWP provisions. A total enrollment of 36.3 million acres is projected for 2005.

Emergency Conservation Program (ECP). Under this program, the Department shares the cost of carrying out practices to assist and encourage farmers to rehabilitate farmland damaged by natural disasters. In particular, it addresses those problems which if left untreated would: (1) impair or endanger the land; (2) materially affect the productive capacity of the land; (3) be so costly to rehabilitate that Federal assistance would be required to return the land to productive agricultural use; and (4) represent damage that is unusual and would not recur frequently in the same area. For the past several years, this program has been funded through emergency supplemental appropriations. The budget is proposing no new funding for the ECP in 2005 since needs are difficult to predict in advance.

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Salaries and Expenses. The 2005 budget proposes a level of \$1.3 billion to support a ceiling of 6,017 Federal staff years and 10,284 non-Federal staff years. Federal staff years will be increased by 100 in 2005 to improve service to farm credit borrowers to prevent loan delinquency rates from rising and to reduce time requirements to process loan applications. Non-Federal county staff years will be reduced from the 2004 level because the temporary staff years needed to implement the commodity program and farm income provisions of the Farm Bill are expected to continue to decline. Staff levels have been reallocated among FSA's key goals to reflect the lower workload associated with farm income program support and other areas while accommodating workload needs for farm credit programs. Permanent non-Federal county staff years are estimated to remain near the 2003 and 2004 levels.

Funding for IT modernization and related Geospatial Information Systems (GIS) initiatives has been provided in the Common Computing Environment (CCE) account of the Office of the Chief Information Officer (OCIO). The development of modern digitized databases with common land unit information integrated with soils and crop data and other farm records and related initiatives is vital to the development of more efficient and effective customer services at our Service Centers and will greatly facilitate realization of the potential benefits from electronic (e) Government. The Administration expects significant long-term savings and improved services to clientele to result from improvements made in the information technology services and GIS systems, as well as in the IT administrative support services of the three county-based agencies (the Farm Service Agency, the Natural Resources Conservation Service, and the Rural Development mission area). FSA will also make administrative improvements in its servicing of farm credit loans.

Farm Service Agency Staff Years

Program	2003 Actual	2004 Estimate	2005 Budget
Federal.....	5,905	5,917	6,017
Non-Federal:			
Permanent Full-Time.....	9,352	9,284	9,284
Temporary.....	3,016	2,067	1,000
Total, Non-Federal.....	12,368	11,351	10,284
Total, FSA Staff Years.....	18,273	17,268	16,301

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RISK MANAGEMENT AGENCY (RMA)

**Crop Insurance Program
Program Level
(Dollars in Millions)**

Program	2003 Actual	2004 Estimate	2005 Budget
SUMMARY OF GOVERNMENT COSTS:			
Delivery and Other Administrative Expenses <u>a/</u>	\$741	\$830	\$810
Gross Indemnities.....	2,110	4,136	3,815
Underwriting Gains	-52	450	471
Subtotal, Crop Insurance Program Level.....	2,799	5,416	5,096
Administrative and Operating Expenses.....	70	71	92
Total, Program Level.....	2,869	5,487	5,188
Less: Producer Premium.....	-730	-1,433	-1,415
Total, Government Costs.....	<u>\$2,139</u>	<u>\$4,054</u>	<u>\$3,773</u>

a/ Includes reimbursements to private companies and certain costs for research, development and other activities.

The primary responsibility of the RMA is to administer the Crop Insurance Program. The program provides an important safety net by protecting producers against a wide range of risks caused by natural disasters as well as the risk of price fluctuations. The program is expected to provide about \$42 billion in risk protection on about 221 million acres in 2005. This represents about 83 percent of the Nation's acres planted to principal crops. Participation in the Crop Insurance Program by producers is voluntary, however, participation is encouraged through premium subsidies.

Crop insurance is delivered to producers through private insurance companies that share in the risk of loss. The companies are reimbursed for their delivery expenses and receive underwriting gains in years of favorable loss experience. The 2005 budget requests "such sums as necessary" for the mandatory costs associated with the Crop Insurance Program, including premium subsidies, indemnity payments (in excess of premiums), underwriting gains paid to private companies, reimbursements to private companies for delivery expenses and other authorized expenditures. The 2005 indemnities of \$3.8 billion reflect the statutory loss ratio of 1.075. In addition, producers are expected to pay about \$1.4 billion in premiums.

Discretionary costs for the Federal crop insurance program cover Federal salaries and related expenses. The 2005 budget includes about \$91.6 million for these costs, compared to about \$71 million for 2004. The increase includes \$5.8 million for a new emerging information technology architecture (EITA) system. The EITA will replace a decade old information technology system which has reached the end of its useful life resulting in increased costs to maintain and upgrade to accommodate the expanding role of the crop insurance program. The

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EITA will provide a web-based entry point for companies participating in the crop insurance program which will among other advantages facilitate the detection of fraud, waste and abuse in the crop insurance program by improving data sharing with the Farm Service Agency.

The budget also includes an increase of \$9.8 million to maintain and upgrade the legacy information technology systems until the EITA can be developed and \$2.9 million for 30 additional staff years. The additional staffing would be focused on reducing fraud, waste and abuse in the crop insurance program and research and development of new insurance products.

A Program Assessment Rating Tool (PART) evaluation of the Crop Insurance Program was conducted as part of the 2004 budget formulation process. The PART analysis revealed that the purpose of the Federal crop insurance program was focused and clear but, additional planning and performance measurement were needed. As a result of the evaluation, the Administration has initiated a process to establish adequate long-term and short-term measures and goals; and to identify improvements in the program that will get it closer to becoming a complete risk management tool.

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FOREIGN AGRICULTURAL SERVICE (FAS)

International Programs and Activities
Program Level
(Dollars in Millions)

Program	2003 Actual	2004 Estimate	2005 Budget
CCC Export Credit Guarantees:			
Short-term Guarantees (GSM-102).....	\$2,545	\$3,160	\$3,413
Intermediate-term Guarantees (GSM-103).....	8	5	5
Supplier Credit Guarantees.....	670	1,100	1,100
Facilities Financing Guarantees.....	0	10	10
Total, Export Credit Guarantees.....	3,223	4,275	4,528
Market Development Programs:			
Market Access Program.....	110	125	125
Foreign Market Development (Cooperator) Program.....	34	34	34
Emerging Markets Program.....	10	10	10
Technical Assistance for Specialty Crops Program.....	2	2	2
Quality Samples Program.....	2	2	2
Total, Market Development Programs.....	158	173	173
Export Subsidy Programs:			
Export Enhancement Program.....	0	28	28
Dairy Export Incentive Program.....	32	22	53
Total, Export Subsidy Programs.....	32	50	81
Trade Adjustment Assistance for Farmers.....	2	90	90
Foreign Food Assistance:			
Public Law 480.....	1,960	1,468	1,308
Bill Emerson Humanitarian Trust.....	212	a/	a/
Food for Progress - CCC Funded.....	137	128	149
McGovern-Dole International Food for Education Program.....	100	50	75
Section 416(b) Donations:			
Ocean Freight and Overseas Distribution Costs.....	55	15	15
Value of Commodities.....	(158)	(132)	(132)
Total, Foreign Food Assistance.....	2,464	1,661	1,547
FAS Salaries and Expenses.....	195	199	212
Total, International Programs.....	\$6,074	\$6,448	\$6,631

a/ 500,000 tons are available annually for emergency food assistance.

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FAS administers a variety of programs designed to promote U.S. agricultural exports, develop long-term markets overseas, and foster economic growth and trade capacity building in developing countries. These activities help to enhance economic opportunities for U.S. agricultural producers, Goal One in the USDA Strategic Plan.

Expanding markets for agricultural products is critical to the long-term health and prosperity of the U.S. agricultural sector and, with 96 percent of the world's population living outside the United States, future growth in demand for food and agricultural products will occur primarily in overseas markets. FAS' international activities play a critical role in helping to open new markets and in facilitating U.S. competitiveness and, by doing so, help to secure a more prosperous future for American agriculture.

CCC Export Credit Guarantee Programs. Under these programs, CCC provides payment guarantees for the commercial financing of U.S. agricultural exports. These programs facilitate exports to buyers in countries where credit is necessary to maintain or increase U.S. sales, but where financing may not be available without CCC guarantees.

The budget includes an overall program level of just over \$4.5 billion for CCC export credit guarantees in 2005, an increase of more than \$250 million above the current estimate for 2004. These estimates reflect the levels of sales expected to be registered under the export credit guarantee programs. However, the actual levels of programming are likely to vary from these estimates, depending upon program demand, market conditions, and other relevant factors during the course of the year.

Of the total program level for export credit guarantees expected to be issued by CCC in 2005, \$3.4 billion will be made available under the GSM-102 program, which provides guarantees on commercial export credit extended with short-term repayment terms (up to 3 years), and \$5 million will be made available under the GSM-103 program, which provides intermediate-term credit guarantees (3 to 10 year repayment terms).

For supplier credit guarantees, the budget includes an estimated program level of \$1.1 billion for 2005. Under this credit activity, CCC guarantees payments due from importers under short-term financing that exporters extend directly to the importers for the purchase of U.S. agricultural products. Sales registrations under the supplier credit guarantee program have continued their strong growth of recent years, and that growth is expected to continue.

The budget also includes an estimated program level of \$10 million for facility financing guarantees in 2005. Under this activity, CCC provides guarantees to facilitate the financing of goods and services exported from the United States to improve or establish agriculture-related facilities in emerging markets. By supporting such facilities, these guarantees enhance sales of U.S. agricultural products to countries where demand is constricted due to inadequate storage, processing, or handling capabilities.

Market Development Programs. FAS administers a number of programs which support the development, maintenance, and expansion of commercial export markets for U.S. agricultural commodities and products. Under the Market Access Program (MAP), CCC funds are used to

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reimburse participating organizations for a portion of the costs of carrying out overseas marketing and promotional activities, such as direct consumer promotions. Historically, more than 80 percent of MAP funding has been devoted to building export markets for high value products, the fastest growing component of U.S. agricultural exports. MAP participants include nonprofit agricultural trade organizations, State-regional trade groups, cooperatives, and private companies which qualify as small business concerns. The budget provides funding for MAP of \$125 million in 2005, unchanged from the 2004 level.

Under the Foreign Market Development (Cooperator) Program, cost-share assistance is provided to nonprofit commodity and agricultural trade associations to support overseas market development activities that are designed to remove long-term impediments to increased U.S. trade. These activities include technical assistance, trade servicing, and market research. Unlike MAP, Cooperator Program activities are carried out on a generic commodity basis and do not include brand-name or consumer promotions. For 2005, the budget continues funding for the Cooperator Program at the current level of \$34.5 million.

The budget also includes funding for the Emerging Markets Program at the current annual level of \$10 million. Under the program, CCC funds are made available to carry out technical assistance activities that promote the export of U.S. agricultural products and address technical barriers to trade in emerging markets. Many types of technical assistance activities are eligible for funding, including feasibility studies, market research, industry sector assessments, specialized training and business workshops.

The 2002 Farm Bill authorized a new Technical Assistance for Specialty Crops Program to address unique barriers that prohibit or threaten the export of U.S. specialty crops. Under the program, grants are provided to assist U.S. organizations in activities designed to overcome phytosanitary and related technical barriers to trade. For 2005, the budget provides \$2 million for the program, which is carried out with CCC funding.

The budget also includes \$2.5 million of CCC funding for the Quality Samples Program (QSP). Under the program, CCC provides funding to assist private entities to furnish samples of U.S. agricultural products to foreign importers in order to overcome trade and marketing obstacles. The program provides foreign importers with a better understanding and appreciation of the characteristics of U.S. agricultural products.

Export Subsidy Programs. The Department currently has two export subsidy programs: the Export Enhancement Program (EEP) and Dairy Export Incentive Program (DEIP). Under these programs, bonus payments are made available to exporters of U.S. agricultural commodities to enable them to be price competitive and thereby make sales in targeted overseas markets where competitor countries are making subsidized sales.

EEP programming has been limited for the past several years due to world supply and demand conditions, and no bonuses were awarded under the program during 2002. In view of this recent performance, the budget assumes an EEP programming level of \$28 million for both 2004 and 2005. However, the 2002 Farm Bill established a maximum annual program level for EEP of \$478 million, the maximum allowable level under the Uruguay Round export subsidy reduction

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commitments. Should market conditions warrant, the program can be reactivated and the awarding of bonuses resumed up to the authorized level.

For DEIP, the budget assumes a program level of \$53 million for 2005, an increase from the current estimate for 2004 of \$22 million. The program level established for DEIP is an estimate of the level of subsidy funding needed to facilitate export sales consistent with projected U.S. and world market conditions. The program level may increase or decrease from the projected level depending upon the relationship between U.S. and world market prices during the course of the programming year.

Trade Adjustment Assistance for Farmers. The Trade Act of 2002 established a new Trade Adjustment Assistance (TAA) Program for Farmers. Under the program, USDA is authorized to make payments to eligible producer groups when the current year's price of an agricultural commodity is less than 80 percent of the national average price for the 5 marketing years preceding the most recent marketing year, and the Secretary determines that imports have contributed importantly to the decline in price. Procedures for determining rates and amounts of payments to eligible producers are set forth in the statute. The statute also authorizes USDA to use not more than \$90 million annually to carry out the program through 2007. Through January 28, 2004, petitions from 8 producer groups had been certified as eligible for TAA, thereby allowing individual producers to begin applying for program benefits. Commodities covered by the certified petitions include wild blueberries, Pacific salmon, shrimp, and catfish. Payments under the program are expected to begin later this year once the benefit application period has closed.

Foreign Food Assistance. The United States plays a leading role in global efforts to alleviate hunger and malnutrition and enhance world food security through international food aid activities. USDA contributes to these efforts by carrying out a variety of food aid programs. These activities are administered by FAS, working in close cooperation with FSA and other agencies.

A PART review of USDA food aid activities was conducted as part of the 2004 budget process. A primary finding of the PART was the inadequacy of strategic planning and performance measures for the programs. FAS has been working to develop revised performance measures for the programs it administers and expects to adopt revised measures for use in the 2006 budget process.

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Foreign Agricultural Service Public Law 480 Food Assistance Programs Program and Tonnage Levels

Program	2003 Actual	2004 Estimate	2005 Budget
Title I Credit Sales:			
Dollars in Millions.....	\$163	\$197 <u>a/</u>	\$123
Million Metric Tons Grain Equivalent.....	0.6	0.7	0.5
Title II Donations:			
Dollars in Millions.....	1,797	1,271 <u>b/</u>	1,185
Million Metric Tons Grain Equivalent.....	3.7	2.7	2.7
Total, P.L. 480 Programs:			
Dollars in Millions.....	\$1,960	\$1,468	\$1,308
Million Metric Tons Grain Equivalent.....	4.3	3.4	3.2

a/ Includes \$38 million of prior year carryover funding.

b/ Includes \$106 million of prior year carryover funding.

Public Law 480 (P.L. 480). Assistance provided under the authority of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 83-480) is the primary means by which the United States provides foreign food assistance. In recent years, P.L. 480 assistance has been provided through two primary authorities.

- **Title I** provides for sales of U.S. agricultural commodities on concessional credit terms to governments and private entities in developing countries. In allocating assistance under the Title I program, priority is given to agreements that provide for the export of U.S. agricultural commodities to those developing countries which have demonstrated the potential to become commercial markets, are undertaking measures to improve their food security and agricultural development, and demonstrate the greatest need for food. The Title I program is administered by FAS.
- **Title II** provides for donations of humanitarian food assistance to needy people in foreign countries in response to malnutrition, famine, and other extraordinary relief requirements and to meet economic development needs. The assistance is provided primarily through private voluntary organizations, cooperatives, or international organizations, primarily the World Food Program of the United Nations. In the case of donations made in response to emergency needs, Title II assistance can also be provided through government-to-government agreements. The Title II program is administered by the Agency for International Development (AID).

For 2005, the budget provides a program level for P.L. 480 food assistance of just over \$1.3 billion, which is expected to provide approximately 3.2 million metric tons of commodity assistance. For Title I credit sales, the budget includes a program level of \$123 million, which is

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expected to support 500,000 metric tons of commodity exports. The proposed program level has been reduced from the level requested in last year's budget because of lower demand for the program in recent years.

For Title II donations, a program level of nearly \$1.2 billion is proposed, unchanged from last year's request level. This is expected to support overseas donations of 2.7 million metric tons (grain equivalent) of commodities, which exceeds the minimum annual tonnage level of 2.5 million metric tons for Title II donations established in the authorizing statute.

Bill Emerson Humanitarian Trust. The Bill Emerson Humanitarian Trust is a commodity reserve designed to ensure that the United States can meet its international food assistance commitments. Up to 4 million metric tons of wheat, corn, sorghum, and rice can be held in the Trust. The authorizing statute also allows the Trust's assets to be held as cash in lieu of commodities. The Secretary of Agriculture is authorized to release commodities from the Trust for programming under P.L. 480 under two conditions: (a) when U.S. domestic supplies are insufficient to meet the annual P.L. 480 commodity availability criteria and (b) to provide commodities for Title II donations in response to unanticipated needs for emergency assistance.

During 2003, the Secretary authorized two releases from the Trust in order to respond to emergency food needs in Ethiopia and Iraq. As part of that effort, 401,089 metric tons of wheat were released from the Trust, which helped to support the donation of 375,990 metric tons of wheat, wheat flour, and rice to those two countries. The total value of the assistance provided, including freight and overseas distribution costs, is estimated at \$212 million.

Food for Progress. The Food for Progress Act of 1985 authorizes U.S. agricultural commodities to be provided to developing countries and emerging democracies that have made commitments to introduce and expand free enterprise in their agricultural economies. Food for Progress agreements can be entered into with foreign governments, private voluntary agencies, nonprofit agricultural organizations, cooperatives, or intergovernmental organizations. Agreements may provide for the commodities to be supplied on either long-term credit or grant terms. P.L. 480 Title I funds may be used for the procurement and transportation costs of the commodities. Alternatively, either CCC-owned commodities may be made available or CCC may purchase commodities if not in its inventory, with transportation and other non-commodity expenses paid with CCC funds subject to a limitation of \$55 million.

Provisions of the 2002 Farm Bill established an annual minimum tonnage level of 400,000 metric tons for that portion of the program carried out with CCC funding, subject to the limitation on transportation and other non-commodity costs. The 2005 budget assumes a program level for the CCC-funded portion of Food for Progress programming of \$149 million, which is expected to meet the minimum tonnage level based on current commodity price projections.

McGovern-Dole International Food for Education and Child Nutrition Program. The McGovern-Dole International Food for Education and Child Nutrition Program provides for the donation of U.S. agricultural commodities and associated financial and technical assistance to carry out preschool and school feeding programs in foreign countries. Maternal, infant, and

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child nutrition programs also are authorized under the program. Its purpose is to improve food security, reduce the incidence of hunger and malnutrition, and improve literacy and primary education.

The program was authorized in the 2002 Farm Bill and implemented during 2003. As authorized in the Farm Bill, \$100 million of CCC funding was made available to carry out the program in 2003. Agreements were signed with nine private voluntary organizations and the World Food Programme to implement 21 feeding programs in 21 countries. Over 2 million women and children are expected to benefit from the approximately 130,000 metric tons of commodities approved for donation.

Beginning in 2004, the authorizing statute provides for the program to be carried out with appropriated funding. An appropriation of \$50 million has been approved for the program for 2004, which is expected to provide assistance to an estimated 1.25 million women and children participants. For 2005, the budget proposes to increase the annual funding level by 50 percent to \$75 million, which will assist an estimated 1.88 million participants.

Section 416(b) Donations. Section 416(b) of the Agricultural Act of 1949 authorizes the donation of surplus CCC-owned commodities in order to carry out programs of assistance in developing countries and friendly countries. Commodities eligible for donation include those in inventory that have been acquired by CCC through price support operations, or otherwise acquired by CCC in the normal course of its operations and which are excess to domestic program requirements. The commodities are made available for donation through agreements with foreign governments, private voluntary organizations and cooperatives, and the World Food Program.

The budget assumes that commodities acquired by CCC in the normal course of its domestic support operations will be available for donation under section 416(b) authority. Current CCC baseline estimates project that surplus nonfat dry milk will be made available for programming under section 416(b) authority during 2005. The budget assumes the value of the assistance and associated costs to be provided will total \$147 million.

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Foreign Agricultural Service Salaries and Expenses (Dollars in Millions)

Program	2003 Actual	2004 Estimate	2005 Budget
Market Access.....	\$31	\$32	\$35
Market Development, Promotion and Outreach.....	35	36	39
Market Intelligence.....	30	30	33
Financial Marketing Assistance.....	10	11	12
Long-term Market and Infrastructure Development.....	26	27	29
Total, Appropriated Programs.....	132	136	148
CCC Computer Facility and Other IRM Costs Funded by CCC.....	11	11	12
Development Assistance Programs Funded by AID and Other Organizations.....	49	49	49
Other Reimbursable Agreements.....	3	3	3
Total, Reimbursable Program Activity.....	63	63	64
Total, FAS Program Level.....	\$195	\$199	\$212

FAS conducts its activities and programs through its offices in Washington, D.C. and at 63 overseas posts. Those posts represent U.S. agricultural interests and provide reporting on agricultural policies, production, and trade for 130 countries. FAS operates an additional 17 Agricultural Trade Offices, located in key foreign trading centers, that assist U.S. exporters, trade groups, and State export marketing officials in their trade promotion efforts. FAS has approximately 1,000 employees, of whom about 25 percent serve in overseas locations.

The budget provides a program level of \$148 million for FAS activities in 2005. This is an increase of nearly \$12 million above the 2004 level and supports a number of initiatives needed to ensure the agency's continued ability to conduct its activities and provide services to U.S. agriculture.

First, the budget provides \$4.9 million to meet higher operating costs and improve telecommunications systems at FAS' overseas offices. FAS is unique as a USDA agency because a sizeable component of the agency's operational costs are vulnerable to macroeconomic developments beyond its control. Recent significant declines in value of the dollar, coupled with overseas inflation and rising wage rates, have led to sharply higher costs that must be accommodated if FAS is to maintain its overseas presence.

The budget requests \$5.3 million to implement an FAS Global Computing Environment initiative, a 4-year effort to modernize FAS IT systems and applications. Current FAS IT systems are outdated and unreliable. They also do not allow participation in e-Government

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initiatives in collaboration with other U.S. trade agencies that are designed to provide more efficient services to the public and help bolster U.S. trade expansion efforts. Under the Global Computing Environment initiative, FAS will modernize those systems, restructure its agricultural production and trade databases, improve the timeliness and efficiency of its reporting systems, and take other steps that will improve the services it provides to U.S. agricultural producers, exporters, and market development organizations. Improved efficiency also should help to reduce the cost of those services.

The budget also provides an increase of \$1.7 million to meet projected salary cost increases for 2005.

Additional funding in support of FAS trade agreement negotiation, enforcement, and standards-setting activities is expected to be made available from funds requested for the Office of the Secretary to conduct USDA cross-cutting trade negotiation and biotechnology activities. These resources will support FAS' participation in the World Trade Organization's multilateral negotiations to reform global agricultural trade practices, as well as numerous regional and bilateral trade negotiations. The funds also will be available to bolster FAS efforts to address market access constraints related to biotechnology.

In addition, the budget includes an estimated \$64 million in funding to be made available to FAS through reimbursable agreements. The largest component of this is funding for technical assistance, training, and research activities that FAS carries out overseas on behalf of AID, foreign governments, and international organizations.

Farm and Foreign Agricultural Services Program Level (Dollars in Millions)

Program	2003 Actual	2004 Estimate	2005 Budget
Strategic Goal 1: Enhance Economic Opportunities for Agricultural Producers:			
Farm Service Agency.....	\$30,421	\$25,359	\$27,045
Risk Management Agency.....	2,139	4,054	3,773
Foreign Agricultural Service.....	6,074	6,448	6,631
Total, Strategic Goal 1.....	38,634	35,861	37,449
Strategic Goal 5: Protect and Enhance the Nation's Natural Resource Base and Environment:			
Farm Service Agency.....	1,930	2,047	2,105
Total, Farm and Foreign Agricultural Services.....	\$40,564	\$37,908	\$39,554

RURAL DEVELOPMENT

MISSION

The Rural Development (RD) mission area includes: the Rural Utilities Service (RUS), the Rural Housing Service (RHS) and the Rural Business-Cooperative Service (RBS). The mission of RD is to improve the economic opportunities and quality of life in rural America. RD programs provide financial and technical assistance to rural residents, businesses, and private and public entities for a variety of purposes including infrastructure for meeting basic needs such as safe drinking water, electricity and telecommunication, decent housing, and business enterprise. RD programs are delivered through field offices that are consolidated within USDA Service Centers. Consistent with the principles contained in USDA's report *Food and Agricultural Policy: Taking Stock for the New Century*, the mission area also has a lead role in the coordination of rural development efforts among local, State and Federal levels. All funds for RD support USDA strategic goal 2: Support Increased Economic Opportunities and Improved Quality of Life in Rural America.

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Program Level (P.L.) and Budget Authority (B.A.)
(Dollars in Millions)

Program	2003		2004		2005	
	Actual		Estimate		Budget	
	P.L.	B.A.	P.L.	B.A.	P.L.	B.A.
Ongoing Rural Development Programs:						
Rural Utilities Service.....	\$6,154	\$830	\$8,325	\$690	\$4,915	\$479
Rural Housing Service.....	5,739	1,227	5,808	976	5,296	938
Rural Business - Cooperative Service.....	1,056	145	719	152	738	121
Northern Great Plains Regional Authority.....	0	0	1	1	0	0
Salaries and Expenses.....	617	617	627	627	666	666
Subtotal, Rural Development.....	13,566	2,819	15,480	2,446	11,615	2,204
Farm Bill Authorities.....	129	74	4	4	11	11
Total, Rural Development.....	<u>\$13,695</u>	<u>\$2,893</u>	<u>\$15,484</u>	<u>\$2,450</u>	<u>\$11,626</u>	<u>\$2,215</u>

The 2005 budget includes \$11.6 billion in loans, grants, and related assistance in ongoing programs for rural residents and communities. This level is \$3.9 billion below the estimate for 2004. The reduction is due largely to lower loan levels for the electric and telecommunications programs.

The major provisions of this level of assistance are as follows:

- The 2005 budget maintains flexibility to transfer funding among programs, within the funding streams authorized under the Rural Community Advancement Program (RCAP).

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This flexibility allows funds to be directed toward meeting local priorities. The table on page 50 indicates the programs and the anticipated program levels included in RCAP.

- Loans and grants for water and waste disposal projects are supported at a combined level of \$1.4 billion, compared to \$1.6 billion for 2004. Within the total, grants would be reduced by \$218 million, and loans would be decreased by \$32 million. Because of the relatively low interest rate on loans, the program should be able to operate at a much higher loan to grant ratio than it has over the past few years. The water and waste disposal program is expected to provide an estimated 650,000 rural households with new or improved service facilities.
- Electric and telecommunication loans would be funded at levels of expected demand, \$2.6 billion for electric loans and \$495 million for telecommunication loans. Borrowers will be asked to recertify that they are serving areas that are rural, rather than urban or suburban. In addition, USDA has initiated a study to determine the distribution of assistance to low-income areas under the current policy of processing loan requests as they are received.
- The Administration continues to support the accelerated privatization of the Rural Telephone Bank (RTB), which is fully capable of becoming a private entity. Therefore, the 2005 budget does not include support for RTB loans. As a private entity, the RTB will be able to obtain financing to make loans from the commercial markets.
- The distance learning and medical link grant program is maintained at \$25 million, the same level as available for 2004. In addition, the 2005 budget includes support through discretionary funding for \$331 million in loans for broadband facilities and internet service access.
- For Section 502 single family housing, the 2005 budget would support \$1.1 billion in direct loans – down from nearly \$1.4 billion for 2004 – and \$2.7 billion in guaranteed loans, including \$225 million for refinancing. The decrease in direct loans was necessary due to increased subsidy costs reflecting higher costs for Government borrowing. In order to reduce subsidy costs on guaranteed loans, the one-time fee on such loans will be increased from 1.5 percent to 1.75 percent. In addition, legislation will be proposed to allow the loan amount to exceed 100 percent of appraised value by the amount of the fee. The 2005 program will provide an estimated 42,800 home ownership opportunities for rural families. Significant increases in housing costs have reduced the number of home ownership opportunities that can be provided for the same amount of program level.
- For Section 515 multi-family housing, the 2005 budget includes \$60 million in direct loans for the repair, rehabilitation, and preservation of existing projects. No funding is provided for new construction. This proposal is consistent with the Administration's 2004 budget decision to focus efforts on maintaining the existing portfolio of about 17,800 projects. Many of the projects are over 20 years old and in need of repair or rehabilitation. The demand for loans to repair and rehabilitate existing projects has been increasing in recent years, as has the cost of providing rental assistance payments to keep the projects viable and available to low-income tenants.

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- The 2005 budget includes \$592 million to fully fund all expiring rural rental assistance contracts for existing projects and to provide contracts for new construction of farm labor housing projects. Further, it is consistent with the policy established by Congress in 2004 to limit rental assistance contracts to a 4 year renewal cycle.
- The 2005 budget includes \$666 million for RD's salaries and expenses. This level of funding includes resources to cover higher pay costs and to invest in information technology to improve the overall management of the programs.

Rural Community Advancement Program (Dollars in Millions)

Program	2003 Program Level	2004 Program Level	2005 Program Level
Water and Waste Disposal Programs:			
Direct Loans.....	\$779	\$1,032	\$1,000
Guaranteed Loans.....	4	75	75
Grants.....	639	563	346
Individually Owned Household Water Well Programs.....	0	1	0
Solid Waste Management Grants.....	4	3	3
High Energy Cost Grants.....	19	28	0
Community Facility Programs:			
Direct Loans.....	261	500	300
Guaranteed Loans.....	161	210	210
Grants.....	19	16	17
Rural Community Development Grants.....	11	6	0
Hazardous Weather Early Warning.....	1	0	0
Tribal College Grants.....	4	4	0
Economic Impact Initiative Grants.....	24	22	0
Business and Industry Programs:			
Guaranteed Loans.....	902	552	600
NADBank Guaranteed Loans.....	5	0	0
Delta Regional Authority.....	0	2	0
Broadcasting System Grants.....	0	2	0
Rural Business Opportunity Grants.....	3	3	3
Rural Business Enterprise Grants.....	51	42	40
Total, Loans and Grants.....	\$2,887	\$3,061	\$2,594

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RURAL UTILITIES SERVICE (RUS)

Program Level (P.L.) and Budget Authority (B.A.) (Dollars in Millions)

Program	2003 Actual		2004 Estimate		2005 Budget	
	P.L.	B.A.	P.L.	B.A.	P.L.	B.A.
Loan Programs:						
Direct 5 Percent.....	\$120	\$7	\$240	0	\$120	\$4
Municipal.....	101	4	1,000	0	100	1
Direct Treasury Rate.....	1,150	0	750	0	700	0
FFB Direct.....	2,600	0	1,900	0	1,620	0
Guaranteed CFC/CoBank.....	0	0	99	<u>a/</u>	100	<u>a/</u>
Guaranteed Underwriting.....	0	0	1,000	0	0	0
Total, Electric Loans.....	3,971	11	4,989	<u>a/</u>	2,640	5
Telecommunications Loans:						
Direct 5 Percent.....	75	1	145	0	145	0
Direct Treasury Rate.....	288	<u>a/</u>	249	<u>a/</u>	250	<u>a/</u>
FFB Direct.....	120	0	120	0	100	0
Total, Telecommunications Loans.....	483	1	514	<u>a/</u>	495	<u>a/</u>
Rural Telephone Bank (RTB).....	168	2	174	0	0	0
Total, Electric, Telecomm. and RTB.....	4,622	14	5,677	<u>a/</u>	3,135	5
Distance Learning Program:						
Distance Learning Treasury Rate Loans.....	21	0	300	0	0	0
Discretionary Broadband Loans:						
Direct 4% Loans.....	0	0	0	0	36	3
Direct Treasury Rate Loans.....	0	0	598	\$13	255	5
Guaranteed Loans.....	0	0	0	0	40	2
Mandatory Broadband Loans (Sec. 6103, Farm Bill):						
Direct 4% Loans.....	0	0	<u>b/</u>	<u>b/</u>	0	0
Direct Treasury Rate Loans.....	56	1	<u>b/</u>	<u>b/</u>	0	0
Guaranteed Loans.....	0	0	<u>b/</u>	<u>b/</u>	0	0
Distance Learning and Telemedicine Grants.....	33	33	25	25	25	25
Analog Conversion to Digital DLT Grants.....	0	0	14	14	0	0
Broadband Grants.....	33	33	9	9	0	0
Total, Distance Learning Program.....	143	67	946	61	356	35
Local Television Loan Guarantee Program						
Mandatory (Sec. 6404, Farm Bill).....	0	0	<u>c/</u>	<u>c/</u>	0	0
High Energy Costs Grants <u>d/</u>	19	19	28	28	0	0

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Program Level (P.L.) and Budget Authority (B.A.) (Dollars in Millions)

Program	2003		2004		2005	
	Actual		Estimate		Budget	
	P.L.	B.A.	P.L.	B.A.	P.L.	B.A.
Water and Waste Disposal Programs:						
Direct <u>d</u> /.....	779	88	1,032	34	1,000	90
Guaranteed <u>d</u> /.....	4	0	75	0	75	0
Water and Waste Disposal Grants <u>d</u> /.....	639	639	563	563	346	346
Individually Owned Household Water Well <u>d</u> /.....	0	0	1	1	0	0
Solid Waste Management Grants <u>d</u> /.....	4	4	3	3	3	3
Total, Water & Waste Disposal	1,426	731	1,674	601	1,424	439
Total, RUS Loans and Grants.....	\$6,210	\$831	\$8,325	\$690	\$4,915	\$479
Recap:						
Ongoing Programs.....	\$6,154	\$830	\$8,325	\$690	\$4,915	\$479
Farm Bill Authorities.....	56	1	0	0	0	0
Total	\$6,210	\$831	\$8,325	\$690	\$4,915	\$479

a/ Less than \$500 thousand.

b/ Excludes a total of \$39 million in budget authority carried over from prior years for direct and guaranteed loans. These carry over balances will support total direct and guaranteed loan levels of about \$1.6 billion.

c/ Excludes \$36 million in budget authority carried over from prior years. These carry over balances will support loan levels of about \$426 million.

d/ These are also included in the Rural Community Advancement Program. (See page 50.)

The electric and telecommunications programs administered by RUS provide loans to establish, expand, and modernize vital components of the infrastructure of rural America. These are long-standing programs that brought electrical power to areas that private utility companies refused to serve and, later, connected many of the same areas to the Nation's telecommunications network. The programs continue to serve a useful purpose because gaps still exist in the access that rural areas have to private investment capital.

A Program Assessment Rating Tool (PART) review of the Rural Electric and Telecommunications Programs conducted as part of the 2004 budget process identified a need to reassess program goals and performance measures. In response, RUS initiated an analysis of the loans made in 2002 and 2003 to determine the characteristics of the communities to which the loans are going, who the loans are supporting, what benefits are derived from the loans by the communities, and how many loans and dollars are going to support poverty areas. In addition, RUS began work on developing program goals and performance measures to better define the purpose of the program and support the future needs of rural communities. These efforts are expected to continue, and are expected to be considered in the development of the 2006 budget.

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The Distance Learning and Medical Link Program is a more recent program and it has a more specific purpose than RUS' traditional electric and telecommunication programs. It is designed to provide financial assistance to improve the educational opportunities for rural residents and opens up new avenues for them to receive medical assistance in time of need.

The Broadband and Internet Services Program was established as a pilot program in 2001 and was continued in 2002. It was used to finance the installation of various modes of broadband transmission capacity, including fiber optic cable for high speed internet access, and to provide local dial-up internet service to under served areas. Recipients included existing RUS telecommunication borrowers or their subsidiaries as well as other entities. The Farm Bill authorized a permanent program and provided mandatory funding of \$20 million for each year from 2002 through 2005. The program is expected to operate in 2004 with carry over balances from mandatory authority of \$38.8 million and discretionary authority of \$13 million. These funds will support over \$2.2 billion in loan levels in 2004. For 2005, the Administration is proposing that the program be continued using discretionary funding authority and the President's Budget provides \$9.9 million in budget authority to support about \$331 million in loan levels. The mandatory funding provided by the Farm Bill for 2004 and 2005, a total of \$40 million in budget authority, would be rescinded.

The budget proposes to stop making new Rural Telephone Bank (RTB) loans with Federal funds. This proposal supports continued progress toward making the RTB into a private bank. The RTB has the potential to obtain funding from the major capital markets, and remain a vital source of credit for telephone borrowers. Privatization will allow the bank more flexibility in how it supports telephone borrowers. The RTB was established in 1971 as a supplemental source of funding for telephone loans. The first step toward privatization was taken in 1996 with the retirement of \$18 million in government-owned, Class A stock. Since 1996, additional stock has been retired at a rate of about 5 percent annually, the maximum allowed by recent Appropriation Acts. Currently, about \$400 million in such stock remains outstanding.

The Water and Waste Disposal Program provides financing for rural communities to establish, expand or modernize water treatment and waste disposal facilities. For the most part, eligibility is limited to communities of 10,000 or less in population that are unable to obtain credit elsewhere. Grants are limited to a maximum of 75 percent of project costs and typically average about 35 to 45 percent of program costs. They are available only to those communities with low median household income levels. Program regulations stipulate that the grant amount should only be as much as necessary to bring the user rates down to a reasonable level for the area. Current interest rates do not exceed 4.5 percent, which is substantially less than those in recent years. Interest rates for 2005 are expected to rise only slightly.

Water and Waste Disposal grant and loan funds are usually combined based on the income levels of users and user costs. The Farm Bill provided mandatory funding that was used in August of 2002 to make \$665 million in loans and grants for 377 projects. This action reduced the backlog of projects waiting for funding. Further, the Farm Bill funding was used primarily to fund projects for poverty level communities, which required a very heavy emphasis on grants rather than loans. A greater share of the applications received since then is from communities that

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either do not qualify for grants or do not require as much emphasis on grants for their projects to be viable.

RURAL HOUSING SERVICE (RHS)

Program Level (P.L.) and Budget Authority (B.A.)
(Dollars in Millions)

Program	2003 Actual		2004 Estimate		2005 Budget	
	P.L.	B.A.	P.L.	B.A.	P.L.	B.A.
Rural Housing Loans:						
Single Family:						
Direct Loans (Sec. 502).....	\$1,038	\$201	\$1,351	\$125	\$1,100	\$127
Modular Housing Demonstration Loans.....	a/	a/	0	0	0	0
Guar. Loans Purchase (Sec. 502).....	2,852	35	2,485	39	2,500	33
Guar. Loans Refinance (Sec. 502).....	235	a/	224	1	225	1
Multi Family Housing:						
Direct Loans (Sec. 515).....	121	56	116	50	60	28
Guaranteed Loans (Sec. 538).....	102	5	99	6	100	3
Very Low-Income Repair (Sec. 504).....	32	10	35	9	35	10
Self-Help Housing (Sec. 523).....	1	a/	2	a/	5	0
Housing Site Development (Sec. 524).....	1	a/	5	0	5	0
Credit Sales, Single Family Housing.....	1	0	10	0	10	0
Credit Sales, Multi Family Housing.....	2	1	1	1	1	1
Total, Housing Loans.....	4,385	308	4,328	231	4,041	203
Grants and Payments:						
Modular Housing Demo. Grants.....	1	1	0	0	0	0
Very Low-Income Repair (Sec. 504).....	34	34	30	30	32	32
Mutual and Self-Help (Sec. 523).....	40	40	34	34	34	34
Supervisory & Tech. Assist. (Sec. 525).....	1	1	1	1	1	1
Demonstration Grants for Ag. Processing Workers.....	1	1	5	5	0	0
Compensation for Construct. Defects.....	a/	a/	0	0	0	0
Rural Housing Preservation (Sec. 533).....	10	10	10	10	10	10
Rental Assistance (Sec. 502 and 521).....	724	724	581	581	592	592
Total, Grants and Payments.....	811	811	661	661	669	669
Farm Labor Housing Program:						
Loans (Sec. 514).....	56	27	43	18	42	20
Grants (Sec. 516).....	6	6	18	18	17	17
Total, Farm Labor Program.....	62	33	61	36	59	37

RURAL DEVELOPMENT

Program Level (P.L.) and Budget Authority (B.A.)

(Dollars in Millions)

Program	2003		2004		2005	
	Actual		Estimate		Budget	
	P.L.	B.A.	P.L.	B.A.	P.L.	B.A.
Community Facility Programs:						
Direct Loans <u>b/</u>	261	16	500	0	300	12
Guaranteed Loans <u>b/</u>	161	0	210	0	210	0
Community Facility Grants <u>b/</u>	19	19	16	16	17	17
Rural Community Development Initiative Grants <u>b/</u>	11	11	6	6	0	0
Tribal College Grants <u>b/</u>	4	4	4	4	0	0
Hazardous Weather Early Warning Grants <u>b/</u>	1	1	0	0	0	0
Economic Impact Initiative Grants <u>b/</u>	24	24	22	22	0	0
Total, Community Facility Programs.....	481	75	758	48	527	29
Total, RHS Loans and Grants.....	\$5,739	\$1,227	\$5,808	\$976	\$5,296	\$938

a/ Less than \$500 thousand.

b/ These are also included in the Rural Community Advancement Program. (See page 50.)

The Section 502 single family housing program provides direct and guaranteed loans for the purchase of modest housing in rural areas. Direct loans can be made at an interest rate as low as 1 percent and as high as the note rate on the loan – depending on the borrowers’ income. Direct loans are limited to families who have income under 80 percent of the area median income. The average annual income of a direct loan borrower is generally about 55 percent of area median income, or about \$17,000 on a National basis. Loan guarantees primarily serve families with incomes of up to 115 percent of area median income. Interest rates on guaranteed loans are negotiated between the lender and borrower.

In October of 2002, the one-time fee on guaranteed loans was reduced from 2.0 percent to 1.5 percent for loans to purchase housing and to 0.5 percent for loans to refinance existing RHS loans. This action was taken as part of the President’s initiative to increase homeownership, especially among minorities. This reduction resulted in a significant increase in demand. Accordingly, the 2005 budget reflects a partial offset, with the fee on new loans being increased from 1.5 percent to 1.75 percent. This change is expected to reduce subsidy costs and to provide for a more manageable growth in the program. In addition, the budget proposes legislation to allow guaranteed loans to exceed 100 percent of appraised value by the amount of the fee on such loans. This proposal will help ensure that rural families are not denied home ownership for lack of funds to pay the cost of the fee.

The Section 515 multi family housing loan program provides direct loans to construct and maintain multi family rental projects that serve low and very low-income families. Projects receive payment assistance to make rents affordable. The average annual income of a Section

RURAL DEVELOPMENT

515 tenant is \$7,900. Direct loans have a rate of 1 percent, and most projects receive rental assistance payments to make them affordable to very low-income tenants. USDA has a portfolio of about 17,800 existing multi family projects with an outstanding indebtedness of about \$12 billion. Most of these projects were built in the 1980's and are, or will soon be, eligible for prepayment and departure from the program. There are concerns about the physical condition of the projects and the extent that loans for repair and rehabilitation will be needed. In addition, there are concerns about the long-term costs of maintaining existing projects and the ramifications of allowing projects to leave the program, particularly, the potential impact on existing tenants and other low-income people on the availability of affordable housing. Accordingly, USDA is conducting a thorough review of the matter and developing better strategies for managing the existing portfolio of projects before adding to future costs by funding new projects.

The Section 538 multi family housing loan guarantee program provides guarantees of loans that are made by private lenders. The program is designed to leverage other sources of financing. It serves rural families with incomes up to 115 percent of the area median income, who can afford to pay unsubsidized rents. The program has operated for only a few years and is still evolving. Regulations for administering the program are being revised to make it a more attractive component of the complete funding package, including access to secondary market funds and use of tax credits and other subsidies.

The rural rental assistance program provides funding for multi year contracts with project owners for reducing rent payments to make up the difference between the 30 percent of income the low-income tenant pays and the rent required for the project owner to meet debt servicing requirements. Most of the funding for this program is used to renew expiring contracts on projects that are financed for up to 50 years although dependent on rental assistance that is funded in shorter term increments. In developing the Consolidated Appropriations Bill for 2004, Congress decided to reduce the renewal cycle on rental assistance payment contracts from 5 years to 4 years. The 2005 budget continues this policy.

The community facilities program provides direct loans, guarantees and grants to finance essential community facilities, with priority given to health and safety facilities. The 2005 budget provides \$300 million in direct loans, \$210 million in guarantees, and \$17 million in grants for this program. This level of funding will support over 560 new or improved health care facilities, child care, fire and emergency services and other facilities lacking in rural America.

RURAL DEVELOPMENT

RURAL BUSINESS - COOPERATIVE SERVICE (RBS)

Program Level (P.L.) and Budget Authority (B.A.)
(Dollars in Millions)

Program	2003 Actual		2004 Estimate		2005 Budget	
	P.L.	B.A.	P.L.	B.A.	P.L.	B.A.
Loans:						
Business and Industry:						
Guarantees <u>a/</u>	\$902	\$36	\$552	\$27	\$600	\$30
NADBank Guaranteed B & I <u>a/</u>	5	<u>b/</u>	0	0	0	0
Rural Development Loan Fund.....	40	19	40	17	34	16
Rural Economic Development.....	15	0	15	0	25	0
Renewable Energy - (Discretionary)	0	0	<u>c/</u>	<u>c/</u>	<u>c/</u>	<u>c/</u>
Total, Loans.....	962	55	607	44	659	46
Grants:						
Renewable Energy - (Discretionary)	0	0	23	23	11	11
Renewable Energy - (Mandatory) (Sec. 9006, Farm Bill).....	22	22	0	0	0	0
Rural Business Investment Program (Sec. 6029, Farm Bill).....	0	0	4	4	11	11
Value-added Agricultural Product Market Development (Discretionary).....	0	0	15	15	16	16
Value-added Agricultural Product Market Development (Sec. 6401, Farm Bill).....	51	51	<u>d/</u>	<u>d/</u>	0	0
Rural Business Enterprise <u>a/</u>	51	51	42	42	40	40
Rural Business Opportunity <u>a/</u>	3	3	3	3	3	3
Broadcasting Systems Grants <u>a/</u>	0	0	2	2	0	0
Delta Regional Authority <u>a/</u>	0	0	2	2	0	0
Rural Cooperative Development.....	5	5	5	5	4	4
Appropriate Technology Transfer	2	2	2	2	0	0
Rural Economic Development	4	0	4	0	4	0
Cooperative Research Agreements.....	0	0	0	0	<u>b/</u>	<u>b/</u>
Grants to Assist Minority Producers.....	1	1	1	1	1	1
National Sheep Industry Improvement Center.....	1	1	<u>b/</u>	<u>b/</u>	0	0
EZ/EC.....	27	27	13	13	0	0
Total, Grants.....	167	163	116	112	90	86
Total, RBS Loans and Grants.....	1,129	218	723	156	749	132

RURAL DEVELOPMENT

Program Level (P.L.) and Budget Authority (B.A.) (Dollars in Millions)

Program	2003		2004		2005	
	Actual		Estimate		Budget	
	P.L.	B.A.	P.L.	B.A.	P.L.	B.A.
Recap:						
Ongoing Programs.....	\$1,056	\$145	\$719	\$152	\$738	\$121
Farm Bill Authorities.....	73	73	4	4	11	11
Total	\$1,129	\$218	\$723	\$156	\$749	\$132

a/ These are also included in the Rural Community Advancement Program. (See page 50.)

b/ Less than or equal to \$500 thousand.

c/ Some portion of the amount displayed under Renewable Energy Grants may be used to fund loans in 2004 and 2005.

d/ Excludes \$29 million in budget authority carried over from prior years for Value-added Grants .

RBS administers the Department's rural business assistance programs, including technical assistance, development, and research on agricultural cooperatives. The agency delivers a wide variety of services to its clients. Business and Industry (B&I) loan guarantees, for example, provide protection against loan losses so that private lenders are willing to extend credit to establish, expand, or modernize rural businesses. Special efforts are being made to help rural communities diversify their economies, particularly into value-added processing, by focusing on cooperative ventures. For example, USDA is developing regulations to expand the renewable energy program into making loans as well as grants. This will allow a much higher program level to be achieved. The Consolidated Appropriations Act for 2004 and the 2005 budget provide sufficient funding for approximately \$200 million in program level each year, based on a combination of loans and grants, as compared to the \$23 million and \$11 million shown in the table on page 57. Overall, the business programs administered by RBS are expected to save or create an estimated 66,000 jobs based on the 2005 program levels for these programs.

The 2005 budget supports a \$600 million program level for business and industry guaranteed loans, which represents an increase of \$48 million over the 2004 level.

Rural business enterprise grants would be funded at \$40 million. These grants are made to public bodies and non-profit corporations that assist small and emerging business.

The rural relending program funded by the Rural Development Loan fund would be \$34 million. This program provides 1 percent interest loans to eligible intermediaries that relend the money at a higher rate of interest to other entities for business purposes. The spread in interest rates pays for the costs incurred by the intermediaries.

The 2005 budget also continues RBS programs that provide research and technical assistance for cooperatives. These programs are relatively modest in size, yet provide opportunities to encourage farmers and rural residents to organize cooperatives as a way to expand their income base.

FOOD, NUTRITION, AND CONSUMER SERVICES

FOOD AND NUTRITION SERVICE (FNS)

The Food and Nutrition Service (FNS) administers the Department's domestic nutrition programs. The mission of FNS is to promote the good nutrition and health of Americans by providing children and low-income people better access to a healthful diet. FNS fulfills its mission via nutrition promotion and direct nutrition assistance provided through the programs identified in the table below. The Food Stamp Program is the cornerstone of the Department's commitment to helping low-income people secure an adequate diet. The other programs target specific categories of the population. Improving public understanding of proper nutrition, a major Departmental objective, is also fostered by the nutrition assistance programs. All program funds for the mission area support USDA strategic goal 4: Improve the Nation's Nutrition and Health.

**Food and Nutrition Service
Program Level
(Dollars in Millions)**

Program	2003 Actual	2004 Estimate	2005 Budget
Food Stamp Program.....	\$24,092	\$27,055	\$29,054 <u>a/</u>
Nutrition Assistance for Puerto Rico.....	1,395	1,413	1,443
Total, Food Stamp Program.....	25,487	28,468	30,497
Child Nutrition Programs.....	11,234	11,676	12,037
Special Supplemental Nutrition Program (WIC)	4,661	4,783	4,868 <u>b/</u>
Commodity Assistance Program:			
Commodity Supplemental Food Program.....	104	110	98
Soup Kitchens, Food Banks and The Emergency Food Assistance Program (TEFAP).....	190	190	190
Seniors Farmers' Market Nutrition Program <u>c/</u>	15	15	15
Farmers' Market Nutrition Program <u>d/</u>	25	27	20
Pacific Island Assistance and Disaster Assistance.....	1	1	1
Total, Commodity Assistance Program.....	335	343	324
Nutrition Programs Administration.....	138	140	152
Total, FNS.....	<u>\$41,855</u>	<u>\$45,410</u>	<u>\$47,878</u>

a/ In addition, \$3 billion was provided in 2004 and is requested in 2005 for a contingency reserve.

b/ In addition, \$125 million is available in contingency reserve funds.

c/ Funds provided by transfer from CCC.

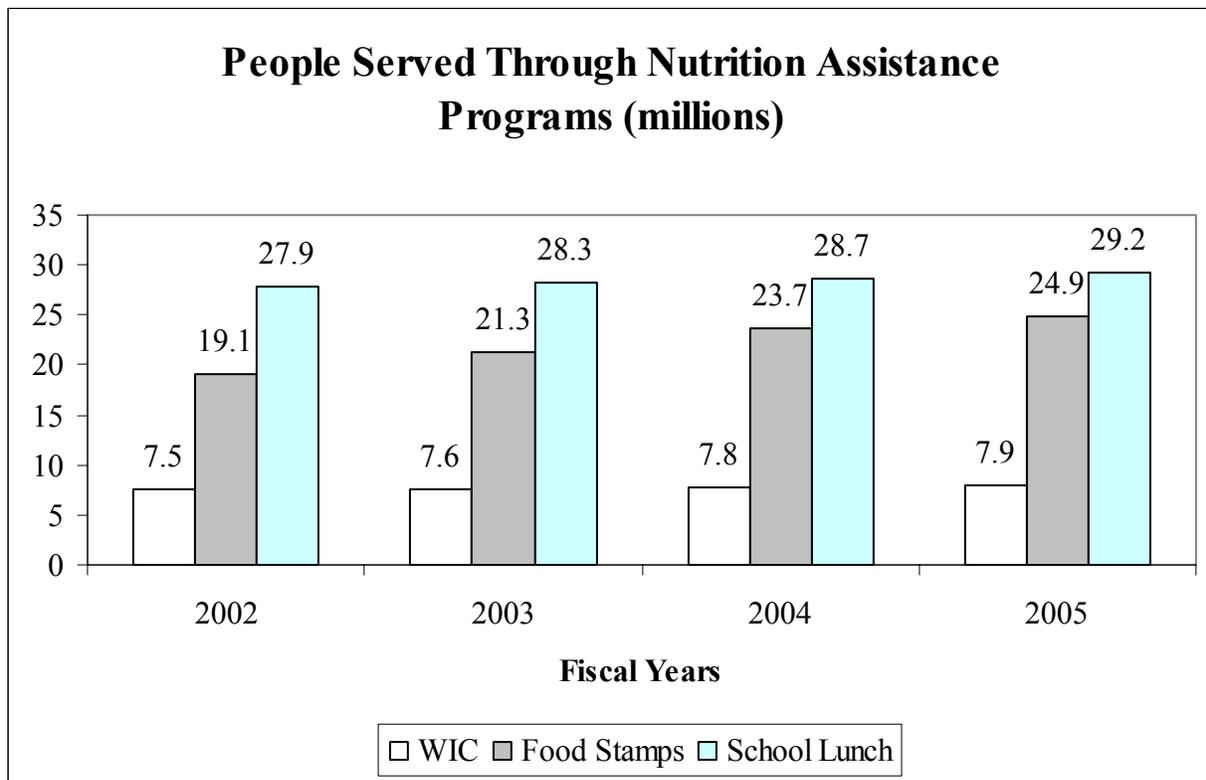
d/ Funded in the WIC account in 2003 and 2004.

The 2005 budget funds the anticipated needs for each of these programs. Increases are proposed for the Food Stamp Program, Child Nutrition Programs, and the Special Supplemental Nutrition

FOOD, NUTRITION, AND CONSUMER SERVICES

Program for Women, Infants and Children (WIC) sufficient to provide for anticipated changes in participation and food cost inflation. During 2004, Child Nutrition and WIC Program reauthorization will be requested to extend program authorities from fiscal year 2004 through 2008. Greater emphasis will be directed towards improving program operations and outcomes in terms of the nutritional status of recipients, particularly to help address America's problems with overweight and obesity. All of the nutrition assistance programs work in concert to achieve several key performance objectives including:

- Reduce hunger for low-income persons from 10.9 percent in 2000 to 7.9 percent in 2005.
- Increase the Healthy Eating Index (HEI) scores for low-income children from 63, out of 100, in 1996 to 68 in 2005.
- Reduce obesity:
For adults, reduce the prevalence of obesity from 30 percent in 2000 to 24 percent in 2005.
For children and adolescents, reduce the prevalence of overweight from 13.6 percent in 2000 to 10.8 percent in 2005.



Food Stamp Program. The 2005 budget anticipates an increase in participation of about 1.2 million, a 5 percent increase above the 2004 estimates and projects modest food price inflation. Funding for State administrative expenses has also been increased, and efforts will continue to focus on encouraging all eligible persons to take advantage of food stamps. In addition, the funding level provides critical assistance to ease the transition from welfare to

FOOD, NUTRITION, AND CONSUMER SERVICES

work. The 2005 budget also continues nutrition education and program information activities. Implementation of electronic benefit transfer for the delivery of food stamp benefits is substantially completed nationwide. Continued focus will be placed on increasing the payment accuracy rate to a level of 92.6 percent for all benefits paid correctly in 2005. Funding for the Nutrition Assistance Program for Puerto Rico is requested at \$1.4 billion, the same as the authorized level.

The 2005 budget excludes special military pay when determining food stamp benefits for deployed members of the armed services. Military personnel often receive supplements to their basic pay when they serve in combat. This proposal supports the families of servicemen and servicewomen fighting overseas by ensuring that they do not lose food stamps as a result of this additional income.

The Administration is committed to ensuring an uninterrupted flow of food stamp benefits to program participants. Yet, Food Stamp Program costs are not fully predictable, particularly in a changing economic environment. In the event that actual program needs exceed current estimates, the 2005 budget provides a \$3 billion contingency reserve. The budget also proposes indefinite funding authority which would make funds available, without requiring further Congressional action, if program needs exceed the anticipated level.

A Program Assessment Rating Tool (PART) review was completed on the Food Stamp Program in 2003. The review found that the program is effective overall, but lacks a program strategy to further improve the dietary status of program participants. In 2004, USDA will develop a plan for improving nutrition among food stamp participants.

Child Nutrition Programs. Ensuring access to food for children and improving their eating habits continues to be a priority. The National School Lunch, School Breakfast, Summer Food Service, Special Milk, and Child and Adult Care Food Programs (CACFP) play a significant role in achieving this goal by assisting State and local governments in serving healthful, nutritious meals to children in various settings, with greatest emphasis on helping low-income children. These programs assist pre-school and school-aged children by subsidizing nutritious meals for children in participating schools as well as in child care settings. While children from all income levels are eligible to receive some assistance from these programs, the preponderance of funding is provided in the form of support for meals served to low-income children for free or at a greatly reduced price. Under the current Child Nutrition Programs, especially CACFP, the meal subsidies provide important support for child care. Funding for meals at school, and particularly for meals at child care centers and homes, helps the Nation's working people, as well as workable welfare recipients, to be able to train for, gain and maintain employment.

For 2005, the Child Nutrition Programs are funded at a level that will support anticipated participation and food costs as well as achievement of the key performance measures. The Department continues to work with the States to improve the appeal and nutritional quality of school meals and to help schools serve meals that are consistent with *The Dietary Guidelines for Americans*.

FOOD, NUTRITION, AND CONSUMER SERVICES

The 2005 budget provides for the extension of several Child Nutrition provisions which will expire on March 31, 2004. USDA is working to reauthorize these provisions. As part of the reauthorization, the Administration will work with Congress to make improvements in program integrity without creating barriers and target investments to improve the nutritional quality of meals.

WIC. The President's budget requests \$4.8 billion, a \$198 million increase, in budget authority. This brings total funds available for WIC in the 2005 budget to \$4.9 billion; a program level increase of \$86 million above 2004 and \$207 million above 2003. The funding for the WIC Program will support a monthly average of 7.86 million participants.

The WIC Program helps improve the health and nutritional intake of low-income pregnant, breast-feeding and postpartum women, infants and children up to their fifth birthday. WIC works by providing participants with vouchers redeemable for foods dense in nutrients known to be lacking in their diets and providing nutrition education, and referrals to other important health and social services at no cost to recipients. Nearly half of all infants born in the United States are WIC beneficiaries each year.

Recent studies indicate that overweight and obesity in the United States is at an all time high. In response to this growing epidemic, beginning in 1999 WIC initiated "Fit WIC" to determine how WIC can be more responsive to the problem of childhood obesity. The Fit WIC Projects looked at ways the policies, practices and operations within a WIC clinic could be changed to make the program more responsive to the problem of childhood obesity. Building on the success of Fit WIC, the budget includes \$5 million, an increase of \$1 million, to be used in childhood obesity prevention projects. These funds will be used to implement and rigorously evaluate several childhood obesity prevention interventions in multiple WIC clinics.

The 2005 budget also includes \$20 million for breastfeeding promotion through peer counselors, an increase of \$5 million over 2004, to increase the number of postpartum women breastfeeding and \$20 million is included to assist States in modernizing and upgrading their management information systems.

Commodity Assistance Program (CAP). CAP distributes USDA purchased commodities through several programs. The Emergency Food Assistance Program (TEFAP) provides support to a network of food banks and other programs which assist households in need of immediate, short-term food assistance. Funding for TEFAP includes both discretionary funding of up to \$50 million for program administration or for food, at the discretion of State officials, and mandatory funding of \$140 million available under the Food Stamp Program appropriation to be used to purchase commodities. In 2005, the Department anticipates delivering approximately the same amount of commodities as delivered in 2004.

The 2005 budget funds administrative cost inflation and food costs for the Commodity Supplemental Food Program (CSFP). For the Senior Farmers' Market Nutrition Program, the 2002 Farm Bill authorizes the transfer of \$15 million each year from CCC in fiscal years 2003 through 2007. In 2005, \$20 million is requested for the Farmers' Market Nutrition Program for women, infants and children, funded in prior years in the WIC account.

FOOD, NUTRITION, AND CONSUMER SERVICES

Nutrition Programs Administration (NPA). Funding of \$152.2 million is requested to maintain program operations, enhance program integrity initiatives, and foster better nutrition and healthy lifestyles. The budget includes an increase of \$7 million for new Food Stamp and Child Nutrition Programs integrity efforts and systems improvements. The request also includes an additional \$3.5 million to expand and improve nutrition education and obesity prevention efforts. USDA's ability to simplify and improve the programs, to increase program efforts to improve nutritional outcomes, encourage healthy and nutritious diets, and expand an obesity prevention campaign, is fostered by the Federal administrative efforts supported by these funds.

FOOD, NUTRITION, AND CONSUMER SERVICES

Food and Nutrition Service Key Indicators

	2003 Actual	2004 Estimate	2005 Budget
Average Participation, Millions:			
Food Stamps.....	21.3	23.7	24.9
Free School Lunch.....	13.7	14.1	14.2
Total, School Lunch.....	28.3	28.7	29.2
Free Breakfast.....	6.2	6.5	6.7
Total, Breakfast.....	8.4	8.8	9.0
WIC.....	7.6	7.8	7.9
Commodity Supplemental Food Program (CSFP):			
WIC.....	0.07	0.06	0.05
Elderly.....	0.39	0.47	0.41
Food Distribution Program on Indian Reservations (FDPIR).....			
Reservations (FDPIR).....	0.11	0.11	0.11
Unemployment Rate (percent).....	6.00	5.70	5.40
Average/Person/Month Food Benefit in \$:			
Food Stamps.....	\$83.91	\$85.55	\$88.02
WIC.....	35.22	36.03	36.55
CSFP: WIC (FNS Funded) <u>a/</u>	16.24	16.86	17.66
CSFP: Elderly (FNS Funded) <u>a/</u>	12.22	12.86	13.44
FDPIR (FNS Funded) <u>a/</u>	36.07	38.27	39.24
Per Meal Subsidies Including Commodities in \$: <u>b/</u>			
School Lunch:			
Free	\$2.30	\$2.36	\$2.39
Reduced Price	1.90	1.96	1.99
Paid	0.35	0.37	0.37
School Breakfast:			
Free	1.18	1.21	1.22
Paid	0.22	0.22	0.22

a/ Excludes bonus commodities. In 2003, an average \$3.36, \$4.05, and \$0.81 was added for each participant monthly for WIC, elderly and FDPIR respectively.

b/ Excludes bonus commodities.

FOOD SAFETY

MISSION

Food Safety, the public health mission area of USDA, provides scientific focus, leadership and expertise in addressing the important domestic and international public health and safety issues related to meat, poultry, and egg products regulated by the Food Safety and Inspection Service (FSIS) and the general oversight of the Office of the U.S. Manager of the Codex Alimentarius Commission. Food Safety also leads efforts within the Department to respond to meat, poultry and egg safety emergencies and coordinates policies and program development with other departments, international organizations, other countries, and State and local governments on these food safety issues. All programs of the mission area support USDA strategic goal 3: Enhance the Protection and Safety of the Nation’s Agriculture and Food Supply.

Program Level (Dollars in Millions)

Program	2003 Actual	2004 Estimate	2005 Budget
Federal Food Safety and Inspection.....	\$672	\$698	\$759
State Food Safety and Inspection.....	51	50	53
International Food Safety and Inspection.....	21	18	20
Field Automation and Information Management.....	9	12	4
Codex Alimentarius.....	3	3	3
Subtotal, FSIS Ongoing Appropriations.....	756	780	839
Existing User Fees and Trust Funds.....	107	111	113
Total, FSIS Program Level.....	863	891	952
Existing User Fees and Trust Funds.....	-107	-111	-113
Proposed New User Fees.....	0	0	-124
Total, FSIS Appropriations.....	\$756	\$780	\$715

FSIS provides in-plant inspection to all domestic establishments preparing meat, poultry, and processed egg products for sale or distribution into interstate commerce, and also reviews and approves foreign inspection systems and plants exporting these products to the United States. FSIS provides technical and cost-sharing assistance to, and review of, States that maintain inspection programs equal to the Federal inspection program. To accomplish these functions, FSIS employees are stationed in approximately 6,400 establishments, including approximately 115 import stations. Headquarters personnel are responsible for overseeing administration of the program and ensuring that the latest scientific and technological developments are incorporated into inspection procedures.

FSIS has a prominent role in protecting the security of the national food supply by ensuring the safety of meat, poultry, and egg products. USDA has a strong commitment to food safety and will continue working to strengthen inspection programs and find ways to work with all sectors of the food chain to ensure high consumer confidence in the food supply. FSIS coordinates the

FOOD SAFETY

development of its policies with other USDA agencies, the Food and Drug Administration (FDA), the Environmental Protection Agency (EPA), the Centers for Disease Control and Prevention (CDC), as well as international organizations, to ensure an integrated farm-to-table approach to food safety.

To ensure that FSIS continues to achieve the goals for improving food safety that are identified in the USDA Strategic Plan, the 2005 budget proposes a program level of \$952 million, a net increase of about \$61 million over 2004. Of the total, \$715 million would be funded through appropriated funds and \$237 million would be funded through user fees. Funds are requested to cover the costs of Federal inspection and for maintaining Federal support of State inspection programs. The budget requests resources necessary to support FSIS food safety activities and fund approximately 7,690 meat and poultry inspectors, which are necessary to provide inspection services without disruption to the industry.

The 2005 budget includes programmatic increases aimed at achieving FSIS' strategic goal of enhancing the protection and safety of the Nation's agriculture and food supply. The 2005 budget for USDA requests an increase of \$47 million to fund a multi-agency effort to protect the food supply from BSE. Of this amount, FSIS is requesting an increase of \$3 million for in-plant verification of slaughter plant designs for controlling specified risk materials (SRM); testing animals that become non-ambulatory and disabled after they arrive at slaughter plants; and increased testing of meat produced using advanced meat recovery systems to help assure that SRM are not entering the food supply.

For 2005, another top budget priority for USDA is the implementation of the Food and Agriculture Defense Initiative. Of the total \$302 million increase for this initiative, \$23.5 million is requested for FSIS. Under this initiative funds are requested to improve the Federal and State food safety infrastructure in order to improve response to a biohazard. For this effort, the budget requests \$5 million to expand biosurveillance activities. Specifically, funding will provide increased connectivity of food safety data bases with the Department of Homeland Security and other Federal agencies for evaluation and assessment. This funding will also be used to hire additional inspection personnel to increase surveillance of imported product, and transportation, distribution, and retail locations.

In addition, the budget includes an increase of \$12.5 million to establish the Food Emergency Response Network (FERN) and upgrade FSIS laboratory capabilities for evaluating a broader range of threat agents. Under FERN, FSIS laboratories as well as other Federal and State laboratories would be upgraded to ensure that adequate laboratory capacity will be available in the event of a biohazard emergency that requires large volume testing of food products. These laboratories would be linked to form a nationwide laboratory infrastructure that will have the capacity to quickly identify an agent and the method of delivery, as well as to respond rapidly and limit the loss of life. In order to supplement the FERN infrastructure, the FSIS budget request includes an increase of \$4 million to develop the electronic systems necessary to exchange laboratory findings and testing methodologies between FERN laboratories. The remaining \$2 million would be used to provide inspectors continued biosecurity training. This continued training is necessary to ensure that inspection personnel have the skills and knowledge to remain vigilant and to identify and respond to changing threats to the food supply.

FOOD SAFETY

The 2005 budget also requests an increase of \$7.1 million for training of inspection personnel, over a 50 percent increase in the FSIS training budget. Of this amount, \$4.0 million would be used to increase the number of entry level inspectors receiving formal classroom training from 20 percent to 100 percent. Under this proposal, all new inspectors will receive formal training on how to identify and respond to food safety problems. As part of this program, new employees will be required to demonstrate mastery of training in order to be certified to assume inspection duties. An additional \$3.1 million is requested to supplement training for current on and off line field employees to improve enforcement of Hazard Analysis and Critical Control Point/Pathogen Reduction regulations and food safety sampling. Recent audits have identified that supplemental training is necessary to improve the consistency and effectiveness of inspectors in the performance of food safety verification duties.

FSIS expects to collect \$113 million in 2005 user fees to recover the cost of overtime, holiday, and voluntary inspection. Under the 2005 budget, legislation will be proposed to collect an additional \$124 million in user fees annually by recovering the cost of providing inspection services beyond an approved eight-hour primary shift. The Federal Government would continue to fund 100 percent of the costs of meat, poultry, and egg products inspection services for one complete primary work shift in all establishments. Current overtime and holiday policies will not change. Recovering a greater portion of these funds through user fees would result in savings to the taxpayer. These fees will have a minimal impact on prices.

FSIS' program responsibilities include:

Federal Food Safety and Inspection. FSIS inspects all carcasses in slaughter plants for disease and other abnormalities, and samples for the presence of chemical residues and microbiological contaminants. Meat and poultry processing operations are inspected by FSIS at a minimum on a daily basis. Typical processing operations include cutting, boning, curing, freezing and canning. Inspector activities include inspections of plant operations for sanitation and cleanliness, labeling, and packing functions. FSIS provides mandatory, continuous in-plant inspection to egg product processing plants. FSIS inspectors check the sanitation of plant and equipment, and determine if the egg products have been properly processed. FSIS operates three laboratories to perform scientific testing in support of inspection operations. Samples sent to the laboratories are analyzed for food chemistry and to identify the presence of pathogens, residues, additives, disease, and foreign matter. Other responsibilities ensure that establishments develop and implement acceptable HACCP plans, sanitation standard operating procedures, and humane methods of slaughter.

State Food Safety and Inspection. FSIS has authority to approve State meat and poultry inspection programs for products traveling in intrastate commerce. FSIS reviews State inspection programs to assure that standards, at least equal to Federal standards, are applied to meat and poultry plants under State jurisdiction. For State inspection programs, USDA contributes, through the Grants to States Program, up to 50 percent of each State's costs. Currently, 28 States participate in the program. FSIS also provides special assistance in the form of training and technical assistance to a variety of State and local agencies that play important roles in reducing risks associated with meat and poultry products.

FOOD SAFETY

International Food Safety and Inspection. FSIS reviews and approves inspection systems in countries exporting meat, poultry and egg products to the U.S. and inspects imported products at ports-of-entry.

Field Automation and Information Management (FAIM). FAIM provides automated technology, scheduling information, regulatory information and improved telecommunications capability among the widely dispersed field inspection workforce and State inspection programs.

Codex Alimentarius Commission. The Commission is the major international mechanism for encouraging fair international trade in food while promoting the health and economic interests of consumers. FSIS coordinates U.S. participation in and informs the public of the sanitary and phytosanitary standard setting activities of the Codex Alimentarius Commission. FSIS enhances U.S. leadership in international food safety issues by training U.S. delegates in Codex procedures and gathering international support for the science-based factors needed to design international food safety standards.

Existing User Fees and Trust Funds. Currently, user fees are collected to recover the cost of inspection provided beyond regularly scheduled operations and on holidays. Establishments requesting voluntary inspection services, which are not mandated by law, are also charged a user fee to recover the full costs of the inspection.

NATURAL RESOURCES AND ENVIRONMENT

MISSION

The mission of the Natural Resources and Environment area is to promote the conservation and sustainable use of natural resources on the Nation's private lands and to sustain production of all the goods and services that the public demands of the National Forests. This mission supports USDA strategic goal 2: Support increased economic opportunities and improved quality of life in rural America, and strategic goal 5: Protect and enhance the Nation's natural resource base and environment. Two agencies, the Natural Resources Conservation Service (NRCS) and the Forest Service (FS), are primarily responsible for achieving this mission.

NATURAL RESOURCES CONSERVATION SERVICE (NRCS)

Program Level (Dollars in Millions)			
Program	2003 Actual	2004 Estimate	2005 Budget
Conservation Operations:			
Conservation Technical Assistance.....	\$712	\$742	\$604
All Other Conservation Operations Programs.....	103	106	106
Total, Conservation Operations.....	815	848	710
Farm Bill Technical Assistance (CRP and WRP).....	a/	a/	92
Watershed and Flood Prevention Operations.....	121	87	40
Watershed Surveys and Planning.....	11	11	5
Watershed Rehabilitation Program.....	29	30	10
Resource Conservation and Development.....	50	52	51
Farm Bill Programs (Funded from CCC):			
Total Budget Authority:			
Environmental Quality Incentives Program.....	691	975	1,000
Ground and Surface Water Conservation.....	45	51	60
Klamath Basin.....	11	10	8
Wetlands Reserve Program.....	285	280	295
Wildlife Habitat Incentives Program.....	29	42	60
Farm and Ranch Lands Protection Program.....	98	112	125
Grassland Reserve Program.....	54	115	84
Conservation Security Program.....	0	41	209
Biomass Research and Development.....	14	14	14
Adjustments for Technical Assistance Costs: b/			
Environmental Quality Incentives Program (EQIP).....	-48	-76	-15
Ground and Surface Water Conservation.....	9	15	20
Klamath Basin.....	2	2	3
Wetlands Reserve Program.....	24	18	b/

NATURAL RESOURCES AND ENVIRONMENT

Program Level (Dollars in Millions)

Program	2003 Actual	2004 Estimate	2005 Budget
Wildlife Habitat Incentives Program (WHIP).....	-6	-7	-1
Farm and Ranch Lands Protection Program (FRPP).....	-21	-24	-5
Grassland Reserve Program (GRP).....	-15	-13	-2
Conservation Reserve Program.....	55	83	<u>b/</u>
Total, Farm Bill Programs.....	1,227	1,638	1,855
Subtotal, NRCS Ongoing Programs.....	2,253	2,666	2,763
Emergency Watershed Protection.....	63	149	0
Total, NRCS Programs.....	<u>\$2,316</u>	<u>\$2,815</u>	<u>\$2,763</u>
RECAP:			
Ongoing Appropriations.....	\$1,026	\$1,028	\$908
Emergency Watershed Protection.....	63	149	0
Funded from CCC.....	1,227	1,638	1,855

a/ Shown under Farm Bill Programs.

b/ The Farm Bill, as amended, authorizes the technical assistance needed to implement the conservation programs listed below can come from EQIP, WHIP, FRPP, and GRP. WRP and CRP technical assistance is funded in the Farm Bill Technical Assistance account in 2005.

The President's 2005 budget for NRCS focuses on ensuring that the important ongoing and new conservation programs authorized in the Farm Bill are implemented efficiently. NRCS directs its financial and technical assistance programs to land users through the USDA Service Centers and through local conservation districts, which are units of State or local governments organized for the purpose of developing and carrying out local conservation programs. USDA has entered into a Memorandum of Understanding with each conservation district, and these formal agreements provide a basis for the Department's working relationship with each district. The Farm Bill expanded the availability of technical assistance to producers by encouraging the use of third parties—called technical service providers—to assist USDA in delivering conservation technical services helping farmers and ranchers reach their conservation goals. With the publication of an interim final rule, this process was begun in 2003.

As in previous years, both financial and technical assistance for the Farm Bill conservation programs are paid for from the program levels. For 2005, the budget proposes paying for Wetlands Reserve Program and Conservation Reserve Program technical assistance from the Farm Bill Technical Assistance account, a new source of appropriated funding for NRCS to deliver these two high priority programs.

Farm Bill Technical Assistance Account. In 2005, the budget proposes a \$92 million Farm Bill Technical Assistance Account to fund technical assistance activities for the Wetlands

NATURAL RESOURCES AND ENVIRONMENT

Reserve Program (WRP) and the Conservation Reserve Program (CRP). Establishing a separate appropriated account for this purpose will substantially reduce the amount of funding that would have to be redirected from other Farm Bill programs and maximize the amount of financial assistance available to assist producers. Technical assistance for the other Farm Bill programs will come from the mandatory funding for those programs.

Conservation Operations (CO). The 2005 budget proposes \$710 million for CO which includes \$604 million for conservation technical assistance (CTA). This will continue the agency's activities that support locally led, voluntary conservation through the unique partnership that has been developed over the years with each conservation district. This partnership provides the foundation on which the Department addresses many of the Nation's critical natural resource issues such as maintaining agricultural productivity and water quality and leverages additional investment from non-Federal sources.

The CTA total reflects a decrease of \$138 million from the 2004 estimate which is largely due to the elimination of all 2004 Congressional earmarks. These earmarks have been steadily increasing over the years, and in 2004, they amounted to more than \$125 million being redirected from Conservation Operations. The program will continue to focus on providing help to producers through technical assistance on private lands and on protecting the natural resource base. The decrease also reflects reductions in funding for USDA Information Technology and the Grazing Lands Conservation Initiative.

An evaluation of the CTA program using the Program Assessment Rating Tool (PART) was conducted as part of the 2005 budget formulation process. As a result of the evaluation, the Administration will develop long-term performance measures for the CTA program that include outcome-based measures and goals, develop efficiency measures and improve the annual measures to reflect the various activities funded by CTA.

Watershed and Flood Prevention Operations. The 2005 budget includes \$40 million for the P.L. 566 watershed program and directs these resources to those projects that are under way and for which Federal support is critical for their successful implementation. NRCS will focus the program on developing and funding non-structural flood prevention measures. No funding is requested for the Emergency Watershed Protection Program because these activities vary from year to year, and it is very difficult to predict what actual needs will be. Emergency assistance will be evaluated and addressed as disasters arise.

Watershed Surveys and Planning. NRCS works with local sponsoring organizations to develop plans on watersheds dealing with water quality, flooding, water and land management, and sedimentation problems. These plans then form the basis for installing needed improvements. The agency also works cooperatively with State and local governments to develop river basin surveys and floodplain management studies to help identify water and related land resource problems and evaluate alternative solutions. In 2005, this activity will be funded at a level of \$5 million to ensure that this important work is continued.

Watershed Rehabilitation Program. One of the agency's strategic goals is to reduce risks from drought and flooding to protect community health and safety. A key tool in meeting this

NATURAL RESOURCES AND ENVIRONMENT

goal is providing financial and technical assistance to communities to implement high priority watershed rehabilitation projects to address the more than 11,000 dams installed with USDA assistance. The budget proposes \$10 million to continue the work begun in prior years.

Resource Conservation and Development (RC&D). The purpose of the RC&D program is to encourage and improve the capability of State and local units of government and local nonprofit organizations in rural areas to plan, develop, and carry out programs for RC&D. NRCS also helps coordinate available Federal, State, and local programs. The 2005 budget proposes a level of \$51 million which will support the 375 RC&D areas now authorized.

Environmental Quality Incentives Program (EQIP). The purpose of EQIP is to provide assistance to landowners that face serious natural resource challenges that impact soil, water and related natural resources, including grazing lands, wetlands, and wildlife habitat management. EQIP was reauthorized by the Farm Bill through 2007. In 2005, nearly 40,000 producers will be able to participate in the program, covering more than 23 million acres of land.

Wetlands Reserve Program (WRP). WRP is a voluntary program in which landowners are paid to retire cropland from agricultural production if those lands are restored to wetlands and protected, in most cases, with a long-term or permanent easement. Landowners receive fair market value for the land and are provided with cost-share assistance to cover the restoration expenses. The Farm Bill increased the program cap to 2,275,000 acres, and the budget estimates that 200,000 acres will be enrolled in 2005.

Wildlife Habitat Incentives Program (WHIP). WHIP is a voluntary program that provides cost-sharing for landowners to apply an array of wildlife practices to develop habitat that will support upland wildlife, wetland wildlife, threatened and endangered species, fisheries, and other types of wildlife. The Farm Bill authorized this program through 2007. In 2005, program practices will be installed on approximately 850,000 acres.

Farm and Ranch Lands Protection Program (FRPP). Through FRPP, the Federal Government establishes partnerships with State, local or tribal government entities or nonprofit organizations to share the costs of acquiring conservation easements or other interests to limit conversion of agricultural lands to non-agricultural uses. FRPP acquires perpetual conservation easements on a voluntary basis on lands with prime, unique, or other productive soil that presents the most social, economic, and environmental benefits. FRPP provides matching funds of no more than 50 percent of the purchase price for the acquired easements. The Farm Bill authorized this program through 2007. In 2005, NRCS will be able to form partnerships with about 145 entities to purchase easements on more than 180,000 acres of important farmland.

Grassland Reserve Program (GRP). The Farm Bill authorized the GRP to assist landowners in restoring and protecting grassland by enrolling up to 2 million acres under easement or long-term rental agreements. The program participant also enrolls in a restoration agreement to restore the functions and values of the grassland. The Farm Bill authorized \$254 million for implementation of this program during the period 2003-2007. The program was initiated in 2003. In 2005, the target level assumes enrollment of 280,000 acres in the program.

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Conservation Security Program (CSP). CSP, as authorized by the Farm Bill, is a voluntary program that provides financial and technical assistance on Tribal and private agricultural working lands to support ongoing conservation stewardship. The program provides payments to producers who maintain and enhance the condition of natural resources. The budget assumes that \$4.4 billion will be spent on this program over the 2004 through 2010 time period for financial and technical assistance. This includes \$209 million in 2005 which assumes nearly 12,000 participants in the program.

Conservation Reserve Program (CRP). CRP is administered by the Farm Service Agency (FSA) and is described on page 35.

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FOREST SERVICE (FS)

Program Level (Dollars in Millions)			
Program	2003 Actual	2004 Estimate	2005 Budget
Discretionary Accounts:			
Forest and Rangeland Research.....	\$250	\$266	\$281
State and Private Forestry.....	285	329	294
National Forest System:			
Land Management Planning.....	72	70	59
Inventory and Monitoring.....	174	170	191
Recreation, Heritage and Wilderness.....	253	255	257
Wildlife and Fisheries Habitat Management.....	133	136	135
Grazing Management.....	41	46	44
Forest Products.....	264	265	274
Vegetation and Watershed Management.....	190	194	194
Minerals and Geology Management.....	52	53	60
Land Ownership Management.....	92	92	93
Law Enforcement Operations.....	80	83	82
Valles Caldera National Preserve.....	3	3	1
Hazardous Fuels Reduction.....	237 <u>a/</u>	258 <u>a/</u>	266
Total, NFS.....	1,591	1,625	1,656
Wildland Fire Management:			
Preparedness.....	612	672	666
Suppression.....	418	597	686
Other Fire Operations.....	134	121	77
Total, Wildland Fire Management.....	1,164	1,390	1,429
Capital Improvement and Maintenance.....	548	555	501
Land Acquisition.....	133	66	67
Management of Lands for Subsistence Uses.....	6	5	6
Other Accounts.....	9	5	4
Subtotal, Discretionary Accounts.....	3,986	4,241	4,238
Repayments for Fire Borrowing.....	889	299	0
Total, Discretionary Accounts.....	4,875	4,540	4,238

a/ This activity was funded through the Wildland Fire Management account in 2003 and 2004.

NATURAL RESOURCES AND ENVIRONMENT

Program Level (Dollars in Millions)

Program	2003 Actual	2004 Estimate	2005 Budget
Mandatory Programs:			
Permanent Appropriations.....	591	646	560
Working Capital Fund.....	260	260	260
Trust Funds.....	70	137	164
Total, Mandatory Accounts.....	921	1,043	984
Total, FS Program Level.....	\$5,796	\$5,583	\$5,222

The Forest Service (FS), with an estimated 34,883 staff years in 2005, is the largest employer in USDA. For 2005, the total request for FS discretionary activities is \$4.2 billion. The work of the FS supports USDA strategic goal 5: Protect and Enhance the Nation's Natural Resource Base and Environment. The FS will work towards this goal by focusing on two USDA strategic objectives. FS funding supports objective 5.1: Implement the President's Healthy Forests Initiative and other actions to improve management of public lands; and objective 5.2: Improve management of private lands.

The major FS program areas are:

Forest and Rangeland Research. For 2005, the amount available for Forest and Rangeland Research is proposed at \$281 million, an increase of approximately \$15 million above the 2004 level. The FS maintains one of the world's largest forest research organizations. While it has a very broad mission to develop the knowledge and technology needed to enhance the economic and environmental values of all of the Nation's forests and related industries, it also must support the specific research needs that arise from the FS's prime responsibility of managing the National Forest System (NFS). The budget includes an emphasis on putting forestry research to work, providing a significant increase to optimize the delivery of research findings by improving FS management of investments in research, development and technology applications. Funds will be targeted to leading-edge technical assistance on a competitive basis. Funds are also provided for continued accelerated research on rapid management responses to invasive species that threaten forest and rangeland health.

State and Private Forestry. For 2005, total funding for State and Private Forestry programs is proposed at \$294 million. The FS makes grants and provides technical assistance to State forestry agencies and other cooperators for protecting forest resources and improving sustainable forest management on non-industrial private forest lands. Cooperative Fire programs provide technical and limited financial support for State wildfire fighting organizations. The Forest Legacy Program helps conserve environmentally important forests threatened by conversion to non-forest uses, through the acquisition of land or interests in land through States. In cooperation with States, the Forest Stewardship Program assists forest landowners with planning

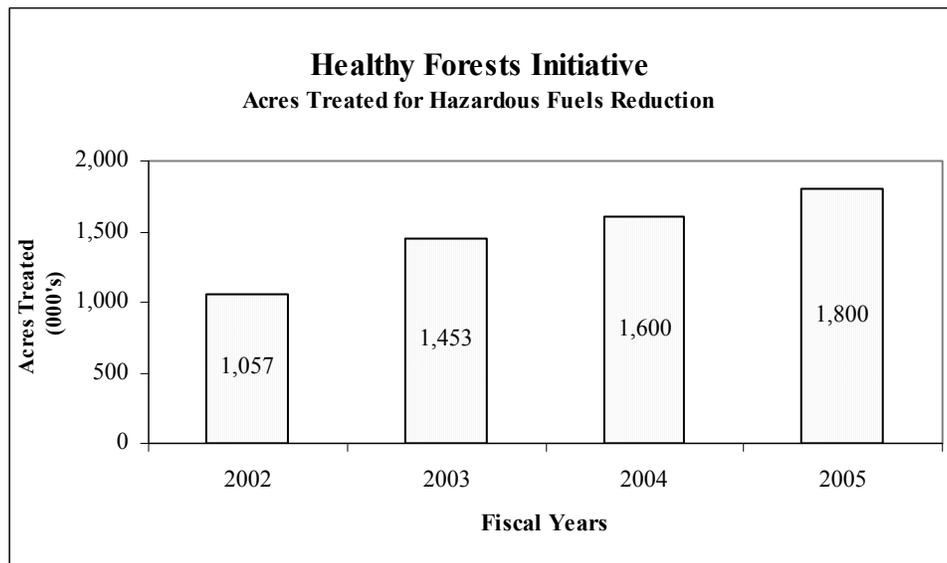
NATURAL RESOURCES AND ENVIRONMENT

and implementation of sustainable forest management. As part of full funding for the Land and Water Conservation Fund, the Forest Legacy Program is funded at \$100 million (an increase of \$36 million over the 2004 level) and the Forest Stewardship Program is funded at \$41 million (an increase of \$9 million over the 2004 level).

National Forest System. For 2005, total funding for NFS is proposed at \$1.7 billion. The FS manages approximately 192 million acres of public land -- an area about 110 percent the size of the State of Texas -- located in 44 States, Puerto Rico, and the Virgin Islands. These lands, known collectively as the NFS, are managed for multiple uses on a sustained-yield basis to meet the needs of people today while maintaining or improving the productivity, health, resilience and vigor of forest resources for future generations. National forests produce diverse benefits for the American people ranging from outdoor recreation, wildlife, fish and watershed protection, to timber, forage and minerals.

Funding includes \$274 million (an increase of \$9 million) to support a timber sales offer level of 2.2 billion board feet, depending on salvage sales volume. The budget also includes an additional \$7 million for Minerals and Geology Management to implement certain recommendations in the National Energy Policy. The increase will result in eliminating the backlog of energy leasing requests and applications for drilling, and the timely processing of new requests. In addition, the budget provides an additional \$21 million for Inventory and Monitoring. The funding will be used to emphasize monitoring related to the revised planning rule and the Healthy Forests Initiative.

Program evaluations using the Program Assessment Rating Tool (PART) were conducted on the Forest Legacy and Land Acquisition programs. The Land Acquisition program was found to need improved annual performance measures and a recommendation was made to establish a process to integrate spatial data into decision making to highlight priority areas. The Forest Legacy program was found to need improvement in linking the budget and agency strategic plan. Recommendations were made to develop a strategic plan and reassess funding distribution process.



NATURAL RESOURCES AND ENVIRONMENT

Healthy Forests Initiative. In August 2002, the President announced the Healthy Forests Initiative, a joint effort of the USDA and the Department of Interior designed to reduce the risk of catastrophic fire and improve the health of our Nation's forests by expanding local involvement and reducing unnecessary delays on forest health projects. The 2005 budget continues implementation of the Healthy Forests Initiative including fully funding the Healthy Forests Restoration Act. This will result in improved forest and rangeland management, healthier landscapes and reduced risk of catastrophic fire.

Forest Service - National Fire Plan (Dollars in Millions)

Program	2003 Actual	2004 Estimate	2005 Budget
State and Private Forestry:			
State Fire Assistance.....	\$25	\$58	\$25
Volunteer Fire Assistance.....	5	5	5
Total, State and Private Forestry.....	30	63	30
National Forest System:			
Hazardous Fuels Reduction.....	237 <u>a/</u>	258 <u>a/</u>	266
Wildland Fire Management:			
Preparedness.....	612	672	666
Suppression.....	418	597	686
Other Fire Operations:			
Fire Facilities.....	2	0	0
Rehabilitation and Restoration.....	7	7	3
Research and Development.....	21	22	19
Joint Fire Sciences.....	8	8	0
Forest Health Management.....	17	25	13
Economic Action Programs.....	5	0	0
State Fire Assistance.....	66	51	34
Volunteer Fire Assistance.....	8	8	8
Total, Other Fire Operations.....	134	121	77
Total, Wildland Fire Management.....	1,164	1,390	1,429
Subtotal, National Fire Plan.....	1,431	1,711	1,725
Repayments for Fire Borrowing.....	889	299	0
Total, National Fire Plan.....	\$2,320	\$2,010	\$1,725

a/ This activity was funded through the Wildland Fire Management account in 2003 and 2004.

NATURAL RESOURCES AND ENVIRONMENT

Wildland Fire Management and the National Fire Plan. The budget includes \$1.7 billion for the National Fire Plan. In order to reduce the risk of catastrophic fire and improve the health of the land, the Department is dedicated to implementing the President's Healthy Forests Initiative, the Healthy Forests Restoration Act, and the National Fire Plan. The American people, their property, and our environment, particularly the forests and rangelands of the West, are threatened by catastrophic fires and environmental degradation. Hundreds of millions of trees and invaluable habitat are destroyed each year by these severe wildfires. These unnaturally extreme fires are caused by a crisis of deteriorating forest and rangeland health, the result of a century of well-intentioned but misguided land management. The budget supports renewed efforts to restore our public lands to healthy conditions.

The 2005 budget maintains funding for priority activities and is faithful to commitments made to increase efforts to fight wildfires, reduce the risk of fire, and assist communities including: \$266 million for hazardous fuels reduction (an \$8 million increase above the 2004 level); \$666 million for preparedness (provides the appropriate level of firefighting equipment as current levels); and \$686 million for suppression activities (an increase of \$89 million) which provides funding at the 10-year average adjusted for inflation. The budget for hazardous fuels provides for the treatment of approximately 1.8 million acres (approximately 200,000 acres above 2004).

Natural Resources and Environment Program Level (Dollars in Millions)

Program	2003 Actual	2004 Estimate	2005 Budget
Strategic Goal 1: Enhance Economic Opportunities for Agricultural Producers:			
Natural Resources Conservation Service.....	\$14	\$14	\$14
Strategic Goal 2: Support Increased Economic Opportunities and Improved Quality of Life in Rural America:			
Natural Resources Conservation Service.....	173	214	99
Strategic Goal 5: Protect and Enhance the Nation's Natural Resource Base and Environment:			
Natural Resources Conservation Service.....	2,129	2,587	2,650
Forest Service.....	5,796	5,583	5,222
Total, Strategic Goal 5.....	7,925	8,170	7,872
Total, Natural Resources and Environment.....	\$8,112	\$8,398	\$7,985

MARKETING AND REGULATORY PROGRAMS

MISSION

The mission of Marketing and Regulatory Programs (MRP) is to facilitate and expand the domestic and international marketing of U.S. agricultural products, to help protect the agricultural sector from plant and animal health threats, and to ensure humane care and treatment of certain animals. These programs provide the basic infrastructure to improve agricultural market competitiveness for the overall benefit of both consumers and producers of American agriculture. MRP supports two USDA strategic goals, goal 1: Enhance Economic Opportunities for Agricultural Producers, and goal 3: Enhance Protection and Safety of the Nation's Agriculture and Food Supply.

The Marketing and Regulatory Programs are administered by three agencies: the Animal and Plant Health Inspection Service (APHIS); the Agricultural Marketing Service (AMS); and the Grain Inspection, Packers and Stockyards Administration (GIPSA).

MARKETING AND REGULATORY PROGRAMS

ANIMAL AND PLANT HEALTH INSPECTION SERVICE (APHIS)

Program Level (Dollars in Millions)			
Program	2003 Actual	2004 Estimate	2005 Budget
Pest and Disease Exclusion:			
Agricultural Quarantine Inspection (AQI):			
Appropriated (discretionary).....	\$28	\$25	\$25
User Fees (mandatory)	119	133	140
Total, Agricultural Quarantine Inspection.....	147	158	165
Fruit Fly Exclusion and Detection.....	54	57	64
Trade Issues Resolution and Management.....	12	12	16
All Other Pest and Disease Exclusion.....	138	58	68
Total, Pest and Disease Exclusion.....	351	285	313
Plant and Animal Health Monitoring:			
Animal Health Monitoring and Surveillance.....	92	96	144
Animal and Plant Health Regulatory			
Enforcement.....	9	9	10
Emergency Management System.....	9	9	20
Pest Detection.....	24	24	45
Total, Plant and Animal Health Monitoring.....	134	138	219
Pest and Disease Management:			
Boll Weevil.....	61	51	17
Brucellosis Eradication.....	10	10	9
Chronic Wasting Disease.....	15	19	20
Emerging Plant Pests.....	76	93	104
Low Pathogen Avian Influenza.....	0	1	13
Pseudorabies.....	4	4	4
Scrapie.....	15	16	21
Tuberculosis.....	15	15	21
Wildlife Services Operations.....	69	71	72
All Other Pest and Disease Management.....	50	51	35
Total, Pest and Disease Management.....	315	331	316

MARKETING AND REGULATORY PROGRAMS

Program Level (Dollars in Millions)

Program	2003 Actual	2004 Estimate	2005 Budget
Animal Care.....	17	17	17
Biotechnology Regulatory Services.....	5	5	12
Other Scientific and Technical Services.....	56	65	75
Physical/Operational Security.....	0	0	7
Information Technology Infrastructure.....	4	4	5
Contingency Fund.....	3	4	4
Total, APHIS Salaries and Expenses.....	885	849	968
Emergency Funding (CCC).....	411	40	0
Homeland Security Supplemental.....	60	0	0
Trust Funds.....	15	14	14
Buildings and Facilities.....	10	5	5
Total, APHIS Program Level.....	1,381	908	987
Existing User Fees.....	-119	-133	-140
Emergency Funding (CCC).....	-411	-40	0
Trust Funds.....	-15	-14	-14
Proposed Animal Welfare User Fees.....	0	0	-11
Total, APHIS Appropriations.....	\$836	\$721	\$822

APHIS helps achieve two USDA strategic goals: Enhance protection and safety of the Nation's agriculture and food supply; and enhance economic opportunities for agricultural producers. The major areas of activity are as follows:

- Providing inspection and quarantine services between the Mainland and Hawaii and Puerto Rico to prevent the introduction of foreign or exotic diseases or pests;
- Surveying for and monitoring the spread of plant pests and animal diseases for Federal, State, local, and private action and to document U.S. agricultural health status for trading partners;
- Administering control and eradication programs to combat outbreaks of plant pests and animal diseases;
- Providing scientific and technical assistance to mitigate damage caused by wildlife to agricultural, industrial, natural resources, or human health;
- Inspecting for humane care and handling of animals used in research, exhibition or the wholesale pet trade; and,

MARKETING AND REGULATORY PROGRAMS

- Providing scientific and technical assistance or leadership on issues of biotechnology, disease diagnostics, and pest control methods development.

Much of the agency's work is conducted in cooperation with State and local agencies, private groups, and foreign governments.

The 2005 budget proposes a program level of \$968 million for salaries and expenses, an increase of \$119 million above the current 2004 estimate. Notable increases stem from the Food and Agriculture Defense Initiative and to protect the agriculture sector from bovine spongiform encephalopathy (BSE). A brief description of key initiatives follows.

Food and Agriculture Defense Initiative. APHIS plays a critical role in protecting the Nation from deliberate or unintentional introduction of an agricultural health threat, and the budget requests a \$50 million increase for multiple, related initiatives. These include: enhancing plant and animal health threat monitoring and surveillance; bolstering the National Animal Identification Program; ensuring greater cooperative surveillance efforts with States; improving connectivity with the integration and analysis functions at DHS for plant and animal health threats; tracking select disease agents of plants; and boosting animal vaccine availability.

Bovine Spongiform Encephalopathy (BSE). Similarly, APHIS plays a key role in protecting the agriculture sector from BSE. As part of a multi-agency USDA effort to deal with BSE, the budget requests an increase of \$42 million for APHIS to step up animal sampling and testing and accelerate implementation of a National Animal Identification Program. This program will allow USDA to trace an infected animal to the herd of origin and all contact herds within 48 hours of detection, thus facilitating rapid outbreak control.

Other increases relate to efforts to deal with low-pathogenic avian influenza, emerging plant pests (especially citrus canker and Emerald Ash Borer), Mediterranean fruit fly, tuberculosis, and scrapie. The budget assumes cost-sharing on the part of cooperators for specific pest and disease efforts. Further, a \$6.6 million increase is requested to enhance the Department's ability to deal with issues arising from emerging biotechnologies. Physical and operational security efforts would also be bolstered.

With the requested budget, APHIS would, among other accomplishments, help ensure that there are no new outbreaks of foreign animal diseases; detect 97 percent of newly arrived significant plant pests before they spread; help ensure that no outbreaks occur due to the illegal use of select agents; significantly increase inspections for all genetically-engineered crop field test sites; and facilitate at least \$47 million in greater US agricultural exports.

The major APHIS programs are:

Agricultural Quarantine Inspection (AQI). USDA ensures that passengers and cargoes traveling from Hawaii and Puerto Rico comply with specified regulations to protect the health of the agricultural sector on the Mainland. Such services previously provided by APHIS at the Canadian and Mexican borders and at ports of entry are now conducted by the Department of Homeland Security. USDA has the responsibility of promulgating regulations related to the

MARKETING AND REGULATORY PROGRAMS

entry of passengers and commodities into the United States. The 2005 budget proposes \$165 million for those efforts compared with \$158 million in 2004.

Plant and Animal Health Monitoring and Surveillance. The budget requests substantial increases for plant and animal health monitoring and surveillance. An increase of \$48 million is requested for enhanced animal health monitoring and surveillance. Despite recent attention given to animal health threats, the Administration does not overlook potential threats to the plant sector and requests an increase of \$21 million for improved plant pest detection. Further, the budget requests an additional \$11 million to improve the management of agricultural health emergencies, including about \$6 million to increase the availability of animal vaccines should they be needed.

Pest and Disease Management Programs. APHIS provides technical and financial support to help control or eradicate a variety of agricultural threats. The 2005 budget requests \$316 million compared to \$331 million in 2004 for these efforts. The budget proposes increased funding for efforts against low-pathogenic avian influenza, emerging plant pests, Mediterranean fruit fly, tuberculosis, and scrapie. Successes in boll weevil eradication efforts allow a reduction in that program. Decreased funding is requested for Asian Long-horned Beetle based on ongoing levels of State contributions. Funding is reduced for Johne's Disease based on other program needs. The Secretary retains authority to use funds from the CCC to combat any sudden, urgent and unforeseen pest and disease outbreaks.

Animal Care. The 2005 budget proposes \$16.6 million for Animal Welfare Act activities and \$0.5 million for the Horse Protection Act, similar to 2004 levels. The budget proposes collection of about \$11 million in new user fees for animal welfare inspections.

Scientific and Technical Services. Within USDA, APHIS has chief regulatory oversight of genetically modified organisms. To help meet the needs of this rapidly evolving sector, the budget includes a \$6.6 million increase in biotechnology regulatory services. APHIS also develops methods and provides diagnostic support to prevent, detect, control, and eradicate agricultural health threats, and to reduce wildlife damages (e.g., coyote predation). It also works to prevent worthless or harmful animal biologics from being marketed.

Buildings and Facilities. Continued funding of \$5 million for general repairs and maintenance of APHIS buildings is requested in 2005.

MARKETING AND REGULATORY PROGRAMS

AGRICULTURAL MARKETING SERVICE (AMS)

Program Level (Dollars in Millions)			
Program	2003 Actual	2004 Estimate	2005 Budget
Marketing Services:			
Market News.....	\$30	\$30	\$31
Egg Surveillance and Standardization.....	7	7	7
Market Protection and Promotion:			
Federal Seed Act.....	2	2	2
Pesticide Data Program.....	16	15	15
Microbiological Data Program.....	6	6	6
Biotechnology.....	3	4	4
Organic Standards.....	2	2	2
Pesticide Recordkeeping.....	3	3	3
Web-based Supply Chain Management System.....	0	0	10
Wholesale Market Development.....	3	3	3
Transportation Services.....	3	3	3
Total, Marketing Services.....	75	75	86
Payments to States.....	1	3	1
Section 32 Funds:			
Funds for Strengthening Markets, Income, and Supply.....	1,059	507	422
Section 32 Administrative Funds:			
Marketing Agreements and Orders (MA&O).....	15	15	16
Commodity Purchase Services.....	11	11	11
Total, Section 32 Administrative Funds.....	26	26	27
Total, Section 32 Funds.....	1,085	533	449
User Fees:			
Perishable Agricultural Commodities Act.....	6	8	8
Commodity Grading Services.....	133	186	188
Total, User Fee Funded Programs.....	139	194	196
Total, AMS Program Level.....	\$1,300	\$805	\$732
RECAP:			
Ongoing Appropriations.....	\$76	\$78	\$87
Section 32 Funds.....	1,085	533	449
User Fee Funded Programs.....	139	194	196

AMS facilitates the marketing of agricultural products in domestic and international markets, while ensuring fair trading practices. AMS programs promote a competitive and efficient marketplace, which benefits consumers and producers. A majority of AMS programs are voluntary and funded by the users of the program. AMS has cooperative agreements with the

MARKETING AND REGULATORY PROGRAMS

States to administer in whole or in part several AMS programs. Under these agreements, State employees carry out the program. AMS is organized along commodity lines that reflect major segments of the agricultural industry. Headquarters staff are responsible for the administration of programs. AMS field employees are located in processing plants, at shipping points, produce terminals, auction houses, and warehouses. Field offices, established for supervision and administrative purposes, are located in key production areas.

For 2005, the AMS budget proposes a program level of \$732 million, of which \$196 million (27 percent) will be funded by user fees, \$449 million (61 percent) by Section 32 funds and \$87 million (12 percent) by appropriations. AMS, in cooperation with the Food and Nutrition Service and the Farm Service Agency, purchases commodities for to meet the needs of domestic feeding programs and to help stabilize market conditions. The 2005 budget includes an increase of \$10 million in appropriated funds to improve the information technology systems used to manage and control commodity orders, purchases, and delivery. Under the proposal, the Processed Commodity Inventory Management System would be replaced by the Web-based Supply Chain Management System (WBSCM). Implementation of WBSCM will improve the efficiency of Federal procurement of commodities by reducing ordering and delivery times from 24 days to 5 days. The 2005 budget also includes an increase of \$0.3 million to conduct studies aimed at improving the security of the U.S. transportation system for agricultural commodities and supplies. The budget also includes a decrease of \$2 million for Payments to States to reflect a reduction for a one-time increase in 2004 for creation of specialty markets in Wisconsin.

Marketing Services. AMS administers a variety of programs that enhance the marketing and distribution of agricultural products. Activities include the dissemination of market information; surveillance of shell egg handling operations; development of grade standards; protection of producers from unfair marketing practices; random testing of commodities for pesticide residues and microbiological contamination; development of organic standards; research and technical assistance aimed at improving efficiency of food marketing and distribution; and pesticide recordkeeping.

Payments to States. Under this program, AMS provides matching funds to State Departments of Agriculture for projects aimed at improving marketing efficiency, reducing marketing costs for producers, and lowering food costs for consumers.

Section 32 Funds. Section 32 of the Act of August 24, 1935, authorizes the appropriation for each fiscal year of an amount equal to 30 percent of the gross receipts from duties collected under customs laws of the United States during the preceding calendar year. These funds are used to: encourage exports of agricultural commodities; encourage domestic consumption of such commodities; and re-establish farmers' purchasing power. Section 32 funds are also used to finance the administrative costs associated with the purchase of commodities that support domestic nutrition assistance programs, such as the National School Lunch Program. In addition, AMS is responsible for developing the specifications used for food procurement throughout the Federal Government.

Marketing agreements and orders help stabilize market prices and the supply of milk, fruit, vegetables, and certain specialty crops. The orders are administered locally by marketing order

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committees and market administrators. Local activities are funded through assessments on regulated handlers. Section 32 funds are also used to finance the administration of marketing agreements and orders at the national level.

Perishable Agricultural Commodities Act. This Act prohibits unfair and fraudulent practices in the marketing of perishable agricultural commodities by regulating shippers, distributors, and retailers. Full and prompt payment for fresh fruits and vegetables is a key objective of the program. The program is funded through annual licensing fees paid by those subject to the Act.

Commodity Grading Services. AMS provides voluntary commodity grading and classing services for dairy products, fresh and processed fruits and vegetables, meat and meat products, poultry, eggs, tobacco, and cotton. AMS recovers the cost of these services through user fees.

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION (GIPSA)

Program Level (Dollars in Millions)			
Program	2003 Actual	2004 Estimate	2005 Budget
Salaries and Expenses:			
Grain Inspection Activities.....	\$15	\$17	\$20
Packers and Stockyards Programs.....	19	19	24
Total, Salaries and Expenses.....	34	36	44
Inspection and Weighing User Fees.....	36	42	42
Total, GIPSA Program Level.....	70	78	86
Existing User Fees.....	-36	-42	-42
New User Fees:			
Grain Standardization.....	0	0	-6
Packers and Stockyards Programs.....	0	0	-23
Total, GIPSA Appropriations.....	\$34	\$36	\$15

GIPSA establishes the official U.S. standards for grain, conducts official weighing and grain inspection activities, and grades rice, dry beans and peas, processed grain products, and hops. The agency regulates and monitors the activities of dealers, market agencies, stockyard owners, live poultry dealers, packer buyers, packers, and swine contractors in order to detect prohibited unfair, unjust discriminatory or deceptive, and anti-competitive practices in the livestock, meat and poultry industries. The agency also reviews the financial records of these entities to promote the financial integrity of the livestock, meat, and poultry industries. As such, its efforts help USDA enhance economic opportunities for agricultural producers, one of the Department's strategic goals.

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GIPSA supervises 14 State and 43 designated private agencies for grain inspection and weighing services at domestic locations; provides supervision and other services from 11 field offices; and handles appeals of grain inspection services in Kansas City, Missouri. GIPSA also has three Packers and Stockyards Programs regional offices that specialize in poultry, hogs, and cattle/sheep, respectively.

For 2005, the budget proposes a program level for salaries and expenses of about \$44 million. Of this amount, \$20 million is devoted to grain inspection activities for standardization, compliance, and methods development and \$24 million is for Packers and Stockyards Programs. The 2005 budget includes the following notable program increases:

- \$1 million for rapid response teams to closely examine livestock marketing to ensure that producers are not unfairly disadvantaged by the BSE situation. USDA will use the funds to conduct market surveillance and ensure that marketing and procurement contracts are honored in the aftermath of the BSE finding.
- About \$5 million to significantly upgrade the agency's IT functions, including the ability to securely accept, analyze, and disseminate information relevant to the livestock and grain trades. Approximately \$4 million of this increase is for one-time-only contractor support and software and hardware purchases. The request also includes \$150,000 to maintain the Swine Contract Library.
- \$1.2 million to monitor the various technologies that livestock and meatpacking industries use to evaluate carcasses to ensure fair and consistent use of those technologies. Producer compensation is increasingly dependent not simply on the weight of the animals they bring to slaughter, but the characteristics of the carcasses as well (e.g., fat content).
- \$0.5 million to enable GIPSA to better address and resolve international grain trade issues, thus precluding disruption of US exports. GIPSA has experienced a growing demand for cooperative participation with other agencies with international trade responsibilities to help expand markets for U.S. agricultural products and removing barriers to trade.

The GIPSA budget includes two user fee proposals. New user fees would be charged to recover the costs of developing, reviewing, and maintaining official U.S. grain standards used by the grain industry. Those who receive, ship, store, or process grain would be charged fees estimated to total about \$6 million to cover these costs. Also, the Packers and Stockyards Programs would be funded by new license fees of about \$23 million that would be required of packers, live poultry dealers, poultry processors, stockyard owners, market agencies, dealers and swine contractors, as defined under the Packers and Stockyards Act.

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Marketing and Regulatory Programs Program Level (Dollars in Millions)

Program	2003 Actual	2004 Estimate	2005 Budget
Strategic Goal 1: Enhance Economic Opportunities for Agricultural Producers:			
Agricultural Marketing Service.....	\$1,300	\$805	\$732
Animal and Plant Health Inspection Service.....	16	18	21
Grain Inspection, Packers and Stockyards Administration....	70	78	86
Total, Strategic Goal 1.....	1,386	901	839
Strategic Goal 3: Enhance Protection and Safety of the Nation's Agriculture and Food Supply:			
Animal and Plant Health Inspection Service.....	1,365	890	966
Total, Marketing and Regulatory Programs.....	\$2,751	\$1,791	\$1,805

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MISSION

The Research, Education, and Economics (REE) mission area is assigned Federal leadership responsibility for the discovery, application, and dissemination of information and technologies spanning the biological, physical, and social sciences through agricultural research, education, and extension activities and economic and statistical analysis. All five of the USDA strategic goals and objectives are integrated into the REE budget and performance process. REE responsibilities are carried out by four agencies:

- The Agricultural Research Service (ARS) is the principal in-house research agency in USDA in the area of natural and biological sciences. ARS has nine key objectives which support four of the USDA strategic goals. Examples from each of the four strategic goals include: (Goal 1) provide science-based knowledge and technologies to generate new or improved high quality value-added products and process to expand domestic and foreign markets for agricultural commodities; (Goal 3) provide science-based knowledge on the safe production, storage, processing and handling of plant and animal products; (Goal 4) improve the nutritional value of the U.S. food supply; and (Goal 5) provide science-based knowledge and education to improve the management of forests, rangelands, and pastures.
- The Cooperative State Research, Education, and Extension Service (CSREES) is the Federal partner with land-grant and non-land grant colleges and universities in carrying out extramural research, higher education, and extension activities. CSREES has thirteen key objectives which support all five USDA strategic goals. An example from each of the five strategic goals include: (Goal 1) provide science-based knowledge and technologies to generate new or improved high quality products and processes to expand markets for the agricultural sector; (Goal 2) provide science-based technology, products and information to facilitate informed decision making affecting the quality of life in rural areas; (Goal 3) reduce the incidence of food borne illnesses and contaminants through science-based knowledge and education; (Goal 4) promote healthier food choices and lifestyles through research and education; and (Goal 5) provide science-based knowledge and education to improve the management of forests and rangelands.
- The Economic Research Service (ERS) is the principal intramural economic and social science research agency in USDA. ERS' key objective is for successful completion of planned research that enhances understanding by policy makers, regulators, program managers, and those shaping the public debate of economic issues. This key objective supports all five USDA strategic goals and reflects the substance of related policy principles in *Food and Agricultural Policy: Taking Stock for the New Century*.
- The National Agricultural Statistics Service (NASS) conducts the Census of Agriculture and provides the official current statistics on agricultural production and indicators of the economic and environmental welfare of the farm sector. NASS has seven key objectives that support four of the USDA strategic goals. An example from each of the four strategic goals include: (Goal 1) provide agricultural markets with unbiased data to operate efficiently with fair and equitable price discovery; (Goal 2) provide statistically sound information for economic and business decision making at the local level in rural communities; (Goal 3)

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provide chemical usage statistics to enable informed decisions using sound science risk analysis; and (Goal 5) provide statistical data for improved management of soil, air and water.

AGRICULTURAL RESEARCH SERVICE (ARS)

**Program Level
(Dollars in Millions)**

Program	2003 Actual	2004 Estimate	2005 Budget
Research and Information:			
Product Quality/Value Added.....	\$98	\$98	\$99
Livestock Production.....	69	71	80
Crop Production.....	146	145	154
Food Safety.....	89	90	90
Livestock Protection.....	51	58	61
Crop Protection.....	147	145	152
Human Nutrition.....	77	76	81
Environmental Stewardship.....	172	174	182
National Agricultural Library.....	22	20	22
Repair and maintenance of Facilities.....	18	18	18
Collaborative Research Program.....	11	0	0
Homeland Security	21	18	49
Subtotal, Ongoing Programs.....	921	913	988
Earmarks not continued in 2005.....	135	169	0
Total, Research and Information.....	1,056	1,082	988
Buildings and Facilities.....	81	63	178
Trust Funds.....	21	23	23
Total, ARS.....	<u>\$1,158</u>	<u>\$1,168</u>	<u>\$1,189</u>

ARS provides access to scientific data, conducts research to develop new scientific knowledge, and transfers technology to the private sector to solve technical agricultural problems of broad scope and high National priority. ARS houses the National Agricultural Library (NAL), the Nation's major information resource in the food, agricultural and natural resource sciences. ARS has over 100 locations throughout the U.S. and abroad. Beltsville, Maryland is the site of the world's largest multi-disciplinary agricultural research facility.

The 2005 budget recommends \$987.6 million for ARS Research and Information. Increases totaling \$66 million are proposed to fund critical research priorities. These increases are offset by the elimination of \$169 million in funding for all projects earmarked by Congress in fiscal years 2001 through 2004. Highlights of the proposals for the main program areas follow:

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- **Product Quality/Value Added.** ARS research enhances the economic viability and competitiveness of U.S. agriculture by maintaining the quality of harvested agricultural commodities or enhancing their marketability, expanding domestic and global market opportunities through the development of value-added food and non-food products and processes, and reducing the Nation's dependence on foreign oil and improving the environment by developing alternate energy sources and increasing the use of agricultural crops as feedstocks for biofuels. Selected objectives for 2005 include developing enzymatic processes to increase the yield and value of co-products of bioethanol production from starch and developing new and improved commercial coatings for organic produce.
- **Livestock Production.** ARS conducts research that develops biotechnological methods to use animal germplasm and associated genetic and genomic repositories and databases to ensure an abundant and safe food supply of animal products. Research also provides the knowledge to scientifically assess farm animal well-being, reduce animal stress, increase animal health and improve the international competitiveness and sustainability of United States aquaculture. The 2005 budget includes \$8.5 million for animal genomics and the preservation of animal germplasm. Selected 2005 objectives include providing producers with information that will increase production efficiency, safeguard the environment and improve animal health and well-being.
- **Crop Production.** ARS safeguards and utilizes plant, microbial, and insect germplasm, associated genetic and genomic databases, and bioinformatic tools to ensure an abundant, safe, and inexpensive supply of food, feed, fiber, ornamentals, and industrial products. The agency conducts fundamental research on plants that form the basis for greater crop productivity and efficiency, better product quality and safety, improved protection against pests and diseases, and sustainable practices that maintain environmental quality. The 2005 budget provides \$7.5 million for crop genomics and preservation of crop genetic resources. This research will achieve the long-term performance measure of improving the understanding of the biological mechanisms that influence plant growth, product quality, and marketability to enhance the competitive advantage of agricultural commodities.
- **Food Safety.** ARS research provides the means to ensure that the food supply is safe for consumers and that food and feed meet foreign and domestic regulatory requirements. Research also focuses on the reduction of the hazards of both introduced and naturally occurring toxicants in foods and feed, including pathogenic bacteria, viruses, parasites, chemical contaminants, mycotoxins produced by fungi growing on plants, and naturally occurring toxins produced by plants. ARS will work in conjunction with other USDA and Federal agencies to implement a comprehensive Food and Agriculture Defense Initiative. The 2005 budget includes \$14.4 million to strengthen research which will develop diagnostic methods that rapidly and accurately detect and identify the most critical and economically important foodborne pathogenic bacteria, viruses and chemicals of food safety concern. This increase supports the program's long-term goals of developing and transferring to stakeholders methodologies, as well as intervention strategies, for improving the safety of the food we eat.

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- **Livestock Protection.** ARS produces the knowledge and technology to reduce economic losses from infectious, genetic, and metabolic diseases of livestock and poultry and eliminate the losses to animal production and products caused by arthropod diseases and arthropod borne trauma. This research also reduces the risk to humans of arthropod borne zoonotic diseases and enhances the safety of animal products. The 2005 budget includes an increase of \$8.3 million for emerging diseases and invasive species, a major component of the Food and Agriculture Defense Initiative. Selected 2005 targets to be achieved using this funding include completing the validation of diagnostic tests and intensive safety studies for novel vaccines.
- **Crop Protection.** ARS provides the knowledge to reduce losses caused by plant diseases by defining practices that are effective, affordable, and maintain environmental quality. Research also provides the technology to manage pest populations below economic damage thresholds by the integration of environmentally compatible strategies that are based on an increased understanding of the pest's biology and ecology. The 2005 budget includes a proposed increase of \$13.4 million for emerging and exotic diseases, invasive species and the National Plant Disease Recovery System. This increase will support the agency's 2005 target of developing and releasing new varieties of plant stock with insect and disease resistance to producers as well as providing the information and technology necessary to support the exclusion, detection, and early eradication of invasive weeds, insects, and pathogens.
- **Human Nutrition.** Six ARS centers conduct basic and applied research to identify and understand how nutrients and other bioactive food components affect the health of diverse populations, including children, the elderly, pregnant and lactating women, and healthy adults. The ultimate goal of this food-based agricultural research is to identify foods and diets, coupled with genetics and physical activity, which will sustain and promote health throughout life. The 2005 budget includes an increase of \$5 million for research in support of the Administration's Healthier US Initiative. Research will be pursued to define the role of nutrients and other food components in promoting health and preventing obesity and related diseases.
- **Environmental Stewardship.** This broad area of research emphasizes the development of technology and scientific knowledge that will allow producers to manage, conserve, and protect the Nation's soil, water, and air resources while optimizing agricultural productivity. The 2005 budget proposes a \$5.2 million increase in climate change research. These funds will be used to attain the long-term performance measure of developing agricultural practices that will enable producers to take advantage of environmental changes and mitigate the adverse impacts of global change.
- **National Agricultural Library.** The National Agricultural Library (NAL) provides access to scientific agricultural data through its online database and CD-ROMS. NAL provides agricultural information electronically and is expanding efforts to catalog, manage, and disseminate agriculture-related data through the Internet. A \$2 million increase in the 2005 budget for agricultural information services will allow the NAL to develop and deliver content for the National Digital Library for Agriculture, and to integrate the AGRICOLA

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Database into the NDLA, and to ensure long-term access to the NDLA. The increase helps meet the 2005 target by funding the digitization of document images from the NAL collection for web-access, and by supporting collaboration with the U.S. Agricultural Information Network libraries to further develop and implement a national program for preserving digital agricultural information through a pilot program with 3 land grant university libraries.

- Buildings and Facilities.** The 2005 budget fully funds the remaining \$178 million required to complete the modernization of the National Centers for Animal Health in Ames, IA. These funds will allow the completion of the \$460 million project. Upon completion in October 2007, the consolidated ARS/APHIS facility will consist of new research, diagnostic, and biologic laboratory facilities, along with new large animal housing facilities. Extensive site and infrastructure upgrades, miscellaneous office, animal care, and support facilities are integrated into the design.

COOPERATIVE STATE RESEARCH, EDUCATION, AND EXTENSION SERVICE (CSREES)

**Program Level
(Dollars in Millions)**

Program	2003 Actual	2004 Estimate	2005 Budget
Research and Education.....	\$617	\$618	\$501
Extension Activities.....	451	439	421
Integrated Activities.....	46	50	77
Native American Endowment Fund and Interest.....	9	11	15
Outreach for Socially Disadvantaged Farmers.....	3	6	6
Subtotal, Programs.....	1,126	1,124	1,020
Community Food Projects.....	5	5	5
Organic Agriculture Research and Education Initiative.....	--	3	3
Initiative for Future Agriculture and Food Systems.....	<u>a/</u>	<u>a/</u>	<u>a/</u>
Total, CSREES.....	<u>\$1,131</u>	<u>\$1,132</u>	<u>\$1,028</u>

a/ Mandatory funding for this program is blocked in 2003 and 2004, and cancelled in 2005.

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Cooperative State Research, Education, and Extension Service Program Level (Dollars in Millions)

Program	2003 Actual	2004 Estimate	2005 Budget
Formula Grants:			
Smith-Lever 3 (b&c) Formula.....	\$279	\$278	\$276
Hatch Act.....	179	179	180
1890 Research and Extension.....	67	68	68
Cooperative Forestry.....	22	22	22
Animal Health.....	5	5	5
Total, Formula Grants.....	552	552	551
National Research Initiative Competitive Grants (NRI).....	166	164	180
Selected Integrated Activities:			
Water Quality.....	13	12	13
Food Safety.....	15	13	15
Rural Development Centers.....	1	1	1
International Science and Education Grants.....	0	1	1
Critical Issues.....	0	0	2
Pest Control/Management Activities.....	42	38	39
Sustainable Agriculture Research and Extension.....	18	15	13
Higher Education Programs.....	30	30	33
Native American Endowment Fund and Interest.....	9	11	15
Indian Reservation Extension Agents.....	2	2	2
1890 Facilities.....	15	15	15
Extension Services at 1994 Institutions.....	3	3	3
Expanded Food and Nutrition Education (EFNEP).....	58	52	58
Federal Administration.....	14	13	15
Food and Agriculture Defense Initiative:			
Regional Diagnostic Network.....	0	8	30
Higher Education Agrosecurity.....	0	0	5
Other Research and Extension Programs.....	26	22	23
Outreach for Socially Disadvantaged Farmers.....	3	6	6
Community Food Projects.....	5	5	5
Organic Agriculture Research and Education Initiative.....	--	3	3
Subtotal, Ongoing Programs.....	972	966	1,028
Earmarked Grants.....	159	166	0
Initiative for Future Agriculture and Food Systems.....	<u>a/</u>	<u>a/</u>	<u>a/</u>
Total, CSREES.....	<u>\$1,131</u>	<u>\$1,132</u>	<u>\$1,028</u>

a/ Mandatory funding for this program is blocked in 2003 and 2004, and cancelled in 2005.

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CSREES has the primary responsibility for providing linkages between the Federal and State components of a broad-based, National agricultural research, extension, and higher education system. CSREES provides funding for projects conducted in partnership with the State Agricultural Experiment Stations, State Cooperative Extension Systems, land-grant universities, colleges and other research and education institutions. Federal funds are distributed to universities and institutions by statutory formula funding, competitive awards, and special grants. CSREES is responsible for administering USDA's primary competitive research grants program, the National Research Initiative (NRI), which supports investigator-initiated research with strong potential to contribute to major breakthroughs in agricultural science.

The 2005 budget recommends \$1.03 billion for CSREES, a net increase of \$62 million in ongoing programs over the 2004 estimate. For the most part, the 2005 budget extends proposals made for 2004, including proposals to discontinue Congressional earmarks. On an annual and periodic basis, experts assess progress toward solving National problems by assessing relevance, quality and performance of the portfolio activities and recommending management improvements. Criteria may change as issues emerge and priorities fluctuate. Highlights of the proposals for the main program areas follow:

- **Formula Grants.** CSREES provides Federal formula payments to eligible institutions under several authorities. There have been long-standing matching requirements for funds distributed to the 1862 Institutions under the Hatch Act of 1887 for research, the Smith-Lever Act for extension, and the forestry and animal health research programs. Matching requirements for funds distributed to the 1890 institutions were enacted in 1998 and 2002. The formula funds programs provide important underlying support for building and maintaining capacity, as well as for planning and Federal-State collaboration.
- **National Research Initiative.** The NRI is the Nation's premier competitive, peer reviewed research program for fundamental and applied sciences in agriculture. In recent years the Federal Government has made major investments in research to deal with issues related to National health and other areas needed to keep the U.S. technologically competitive. The 2005 budget proposes \$180 million for the NRI, an increase of \$16 million above the 2004 estimate. The increase will fund initiatives in agricultural genomics, and human nutrition and obesity.

The NRI is broad in scope with programs ranging from fundamental science to farm management and community issues. Funding at the proposed level will support research that will make an immediate impact on such issues as emerging diseases and pests, biosecurity, farm management, air quality, and food and nutritional improvements. The NRI enables the USDA to develop new partnerships with other Federal agencies on topics of mutual interest. Moreover, the NRI will make a major contribution to developing the next generation of agricultural scientists.

The NRI, along with ARS funding, is a major source of USDA support for multi-agency collaborative efforts in the field of genomics. There are opportunities to leverage USDA investments with investments from the National Institutes of Health, the Department of Energy, and the National Science Foundation in projects to map and sequence the genomes

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of agriculturally important species of plants, animals, and microbes. USDA plays an important role in coordinating and participating in interagency workgroups on domestic animal, microbial, and plant genomics. NIH solicits proposals from USDA and USDA cooperators for projects to be carried out at the major genome sequencing centers. In 2005, the NRI will also support investments in functional genomics and databases. Access to genomic information and the new tools to exploit it have implications for virtually all aspects of agriculture.

- **Food and Agriculture Defense Initiative.** USDA, through the cooperative efforts of CSREES and the Animal and Plant Health Inspection Service, has established a unified network of public agricultural institutions to identify and respond to high risk biological pathogens in the food and agriculture system. The core of the network is comprised of 12 animal diagnostic laboratories and 5 plant diagnostic laboratories. The laboratories will be responsible for conducting standardized diagnostic tests for identification of exotic and domestic pests and pathogens. The network will be supported with secure, two-way communications, and a comprehensive database on test procedures, experts, and past pest and disease problems. The network was established with \$20 million in the 2002 Homeland Security Supplemental. Costs to support the network in 2004 are estimated at \$8 million. The 2005 budget provides \$30 million for an enhanced network as a component of the Food and Agriculture Defense Initiative. The 2005 budget proposes \$5 million for Higher Education Capacity Building and Professional Development as a component of the Food and Agriculture Defense Initiative. The funds are targeted toward supplying educational and professional development for personnel in securing the Nation's agriculture and food supply by providing competitively awarded grants that focus on educational activities that address biosecurity issues.
- **Higher Education Programs.** CSREES offers a variety of higher education programs designed to ensure that undergraduate and graduate institutions in the food and agriculture sciences meet the challenges of recruiting and training needed to address current and anticipated agricultural workforce issues. Additional funding for fellowships at the M.S. level is especially important for recruiting minority graduate students. CSREES offers a program of grants to the 31 tribal colleges identified as 1994 Land Grant Institutions.
- **Expanded Food and Nutrition Education Program (EFNEP).** EFNEP is a unique program that operates in 800 counties throughout the United States and the American territories of Samoa, Guam, Micronesia, Northern Marianas, Puerto Rico and the Virgin Islands. EFNEP assists low-income youth and low-income families with young children in acquiring the skills, attitudes, and changed behavior necessary to formulate nutritionally sound diets, and to contribute to their personal development and improvement of the total family diet and nutritional well-being. An increase of \$6 million in the 2005 budget will allow for the expansion of this successful program to a greater number of people in more counties and allow EFNEP to encourage States to incorporate or expand new components which will contribute to the decrease of obesity in the participant population.
- **Outreach and Technical Assistance for Socially Disadvantaged Farmers and Ranchers.** The Department seeks to encourage greater participation of Black farmers, tribal groups,

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Hispanic and other minority groups in the full range of commodity, loan, grant, and education programs offered to eligible individuals and community groups. CSREES assumed responsibility beginning in 2003 for the grant making aspects of the program authorized in Section 2501 of the Food, Agriculture, Conservation, and Trade Act of 1990. Under CSREES administration, the Section 2501 program will move to multi-year awards and improved coordination with outreach efforts of other USDA agencies. The 2005 budget includes a recommendation to maintain funding of the Section 2501 program at \$6 million, the 2004 estimate level. The funding supports the performance measure of increasing the number of socially disadvantaged minority farmers and ranchers who are knowledgeable and able to participate in USDA farm programs.

ECONOMIC RESEARCH SERVICE (ERS)

Program Level (Dollars in Millions)			
Program	2003 Actual	2004 Estimate	2005 Budget
Economic Research Service.....	\$69	\$71	\$80

The Economic Research Service (ERS) provides economic and other social science information and analysis on agriculture, food, environment, and rural development. ERS supplies such information and analyses for use by the general public and to help policymakers develop, administer and appraise agricultural and rural policies and programs.

The ERS budget reflects a net increase of \$9.1 million including funds for pay costs and \$8.7 million to support the following priority effort:

Consumer Data and Information System (\$8.7 million). A data and analysis framework of the post-farm food system will be developed to identify, understand and track changes in food supply and consumption patterns, for use in making policy decisions in the food, health and consumer arenas. The components include:

- \$4.2 million to create a Food Market Surveillance System of surveys and supporting analyses to identify food consumption patterns of customers and how these respond to changes in the food marketplace and in customers' lifestyles over time. This knowledge will help producers better target their products to consumers' behavior, while providing policymakers with a better basis for enacting effective nutritional policy.
- \$1.0 million for a Rapid Consumer Response Module to develop nearly instantaneous information on consumer reactions to current market events and government policies, linking consumer reactions to actual food purchases, sales, consumption and price

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information. This module will be instrumental in helping policymakers to evaluate consumer reactions to crises, such as the recent BSE episode, and to formulate appropriate responses.

- \$3 million to fund a Flexible Consumer Behavior Module to assess the relationship between individuals' knowledge and attitudes about dietary guidance and food safety and their food-choices. Data for this survey will be collected in conjunction with the National Health and Nutrition Examination Survey. These findings will help policymakers identify and develop strategies to address nutrition and obesity issues at different levels of the food system.
- \$0.5 million to support additional staff to insure the successful design and implementation of the Consumer Data and Information System.

NATIONAL AGRICULTURAL STATISTICS SERVICE (NASS)

Program Level (Dollars in Millions)			
Program	2003 Actual	2004 Estimate	2005 Budget
Agricultural Estimates.....	\$97	\$103	\$115
Census of Agriculture.....	41	25	23
Total, NASS.....	\$138	\$128	\$138

The mission of the National Agricultural Statistics Service (NASS) is to provide timely, accurate, and useful statistics in service to U.S. agriculture. NASS statistics provide the information necessary to keep agricultural markets stable and efficient and help maintain a “level playing field” for all users of agricultural statistics.

The budget reflects a net increase of \$9.4 million, which includes an increase of \$1.8 million for pay costs and an increase of 7 staff years for the following priority activities:

Improved Agricultural Estimates (\$7.4 million). This increase will build on 2004 efforts to restore and modernize NASS’s core survey and estimation program which covers most agricultural commodities produced in the U.S. and encompasses economic, environmental and rural data. Prior to 2004, this program had not received an increase in funding since 1990, leading to a reduction in the quality of survey data on which NASS estimates are based. The program is designed to meet the needs of USDA, the Environmental Protection Agency, the Department of Labor, bankers, brokers, rural sociologists and other data users at an acceptable level of precision for State, regional and National level estimates. The initiative has three components: (1) restore sample sizes for greater statistical defensibility; (2) provide staff needed to manage surveys, review and summarize reported data, and other functions; and (3) meet research, training, travel, supplies and other direct expenses necessary to produce quality

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statistics. Funding of this initiative will allow NASS to continue to improve the statistical precision of its major surveys. Specifically, target precision levels for 77 percent of NASS' major survey data will be achieved with this funding, a 17 percent increase over fiscal year 2004's precision levels.

Locality Based Agricultural County Estimation Program (\$2.5 million). This funding supports the NASS goal to incrementally improve statistically defensible survey precision for small area statistics. With this support, NASS can conduct proper follow-up data collection activities and redesign its survey systems to statistically improve its valuable county-level data, which is used by private industry, Federal, State, and local governments, and universities. The Risk Management Agency (RMA) uses these statistics in indemnity calculations for Group Risk Plans and the Group Risk Revenue Plans as part of the risk rating process, which affects premium levels paid by producers. The Farm Service Agency (FSA) uses the county acreage to weight posted county prices to National loan deficiency payments. In addition, agriculture input suppliers, agricultural marketing firms, and transportation companies who provide billions of dollars of goods and services to farmers and ranchers, track county level data on livestock inventories and crop acreage yields and production. Furthermore, under the 2002 Farm Bill, producers updated their base acreage and yields by using the county wide averages established by this program.

Collaborative eGovernment Initiatives (\$0.8 million). This funding will allow NASS to support Presidential and Departmental eGovernment initiatives. Specifically, the increase will provide for NASS' share of Presidential initiatives, such as eTraining and eTravel, which will centralize and streamline administrative operations across the Federal Government, from which NASS and USDA as a whole will benefit. This funding will also support NASS' role in the continued development of the USDA Enterprise Architecture and the USDA Enablers initiatives. Without these funds, NASS will be set back in its efforts to reduce the response burden of producers by increasing the number of questionnaires it offers via the Internet.

Census of Agriculture (decrease of \$3.1 million). The Census of Agriculture provides comprehensive data on the agricultural economy with National, State, and county level details. This reduction reflects the decrease in staffing and activity levels to be realized in 2005, due to the cyclical nature of the 5-year census program.

RESEARCH, EDUCATION, AND ECONOMICS

Research, Education, and Economics Program Level (Dollars in Millions)

Program	2003 Actual	2004 Estimate	2005 Budget
Strategic Goal 1: Enhance Economic Opportunities for Agricultural Producers:			
Agricultural Research Service.....	\$439	\$444	\$380
Cooperative State Research, Education and Extension Service.....	438	382	360
Economic Research Service.....	26	27	27
National Agricultural Statistics Service.....	93	98	110
Total, Strategic Goal 1.....	996	951	877
Strategic Goal 2: Support Increased Economic Opportunities and Improved Quality of Life in Rural America:			
Cooperative State Research, Education and Extension Service.....	174	168	160
Economic Research Service.....	14	14	15
National Agricultural Statistics Service.....	40	25	23
Total, Strategic Goal 2.....	228	207	198
Strategic Goal 3: Enhance Protection and Safety of the Nation's Agriculture and Food Supply:			
Agricultural Research Service.....	389	391	526
Cooperative State Research, Education and Extension Service.....	187	264	196
Economic Research Service.....	4	5	5
National Agricultural Statistics Service.....	3	3	3
Total, Strategic Goal 3.....	583	663	730
Strategic Goal 4: Improve the Nation's Nutrition and Health:			
Agricultural Research Service.....	93	91	87
Cooperative State Research, Education and Extension Service.....	132	125	135
Economic Research Service.....	10	10	18
Total, Strategic Goal 4.....	235	226	240
Strategic Goal 5: Protect and Enhance the Nation's Natural Resource Base and Environment:			
Agricultural Research Service.....	237	242	196
Cooperative State Research, Education and Extension Service.....	200	193	177
Economic Research Service.....	15	15	15
National Agricultural Statistics Service.....	2	2	2
Total, Strategic Goal 5.....	454	452	390
Total, Research, Education and Economics.....	\$2,496	\$2,499	\$2,435

DEPARTMENTAL ACTIVITIES

DEPARTMENTAL OFFICES AND CENTRALIZED MANAGEMENT ACTIVITIES

Program Level (Dollars in Millions)			
Program	2003 Actual	2004 Estimate	2005 Budget
Departmental Offices:			
Office of the Secretary.....	\$11	\$13	\$15
Departmental Administration Staff Offices.....	21	22	26
Office of the Chief Financial Officer.....	5	6	8
Office of the Chief Information Officer.....	15	15	22
Office of the General Counsel.....	35	34	39
Office of Communications.....	9	9	10
Executive Operations:			
Office of the Chief Economist.....	11	9	15
National Appeals Division.....	14	13	15
Office of Budget and Program Analysis.....	7	8	8
Homeland Security Staff.....	3	a/	1
Total, Department Offices.....	131	129	159
Centrally Financed Activities:			
Homeland Security Funding.....	27	0	0
Funding to Address Trade Barrier Issues.....	0	2	2
Agriculture Buildings and Facilities.....	195	156	204
Hazardous Materials Management.....	12	16	16
WCF Corporate Information Systems.....	12	0	13
Trust Funds/Other.....	1	1	1
Total, Centralized Activities.....	247	175	236
Total, Departmental Offices and Centralized Activities....	\$378	\$304	\$395

a/ Less than \$500 thousand.

The Departmental Offices and Executive Operations provide leadership, coordination and support for all administrative and policy functions of the Department. These offices are vital to USDA's success in providing effective customer service and efficient program delivery. The 2005 budget proposes funding to ensure that these offices maintain the staffing levels needed to provide management leadership, oversight and coordination.

The budget provides funding to support the President's Management Agenda as well as Department-wide and agency-specific reforms. All of these efforts are crucial to making the Department an efficient, effective and discrimination-free organization that delivers the best return on taxpayers' investments. Highlights of activities included in this request follow.

The **Office of the Secretary**, assisted by the Deputy Secretary, Under Secretaries and Assistant Secretaries, and members of their immediate staffs, directs and coordinates the work of the

DEPARTMENTAL ACTIVITIES

Department. This involves providing policy direction for all areas of the Department and maintaining liaisons with the Executive Office of the President, members of Congress and the public on all matters pertaining to Departmental policy. Funding is continued from 2004 to address a number of trade-related challenges, including those involving biotechnology trade barriers. The Department also faces a growing array of challenges related to biotechnology, including a rapidly expanding number of regulatory, market access, and trade barrier issues. USDA resources are needed to anticipate and address these issues, to avoid disruptions to trade and the loss of marketing opportunities overseas.

Departmental Administration (DA) Staff Offices provide overall direction, leadership and coordination for the Department's management of human resources, ethics, property, procurement, emergency preparedness, hazardous materials management, facilities management, small and disadvantaged business utilization programs and the regulatory hearing and administrative proceedings conducted by the Administrative Law Judges, the Judicial Officer, and the Board of Contract Appeals. Civil rights-related functions have been transferred to the Assistant Secretary for Civil Rights.

Key funding increases for DA include \$0.2 million for continuation of work on an Enterprise Human Resources Management Information System and \$0.6 million to improve human resources operational and policy support. The Enterprise system will provide critical human resources services for the entire department (e.g. recruitment support) and will be less costly than separate systems developed for each of the individual agencies. In addition, the system will also be designed to link to and share data with other relevant enterprise-wide and government-wide information systems.

The DA request also includes \$0.5 million for developing a Model Biobased Products Affirmative Procurement Program. This program will serve as the Government-wide model for the biobased products procurement programs that all Federal agencies must put in place during 2005, as required by the 2002 Farm Bill. USDA's Office of the Chief Economist (OCE) is tasked with the creation and administration of the overall biobased procurement effort, including designing product qualifications and overseeing a product database, and OCE's budget includes an increase of \$2.5 million for this program. The DA request will be used to gather baseline biobased procurement data in 2004.

The request for **Agriculture Buildings and Facilities** appropriation includes an additional \$14 million for increases in rent and in the costs of operating and maintaining the headquarters complex, including the Beltsville office facility. The request also includes \$34 million for the continued renovation of the South Building in Washington, D.C. The South Building is over 70 years old and is in need of repair to address electrical malfunctions, poor air quality, lead paint, and numerous code violations. As of the end of 2003, Phases 1 and 2, or 16 percent of the overall renovation effort, were completed.

The **Hazardous Materials Management Program** provides for the efficient management and cleanup of hazardous materials on facilities and lands under the jurisdiction, custody, and control of the Department and prevention of releases of hazardous substances from USDA facilities. The program is funded through a central appropriation and agency funds.

DEPARTMENTAL ACTIVITIES

The **Office of the Chief Financial Officer (OCFO)** provides overall direction and leadership in the development of financial management policies and systems and produces the Department's consolidated financial statements and strategic and annual plans. It also oversees the provision of administrative accounting, payroll and related systems for USDA and other agencies through operation of the National Finance Center (NFC). The budget contains funding to continue these critical responsibilities and achieve key results, such as maintaining the clean audit opinion that USDA obtained on its 2003 financial statements.

The budget also includes almost \$13 million in the **Working Capital Fund** request to enable the National Finance Center to design and implement point-in-time remote backup capability and to equip and implement a secondary backup data center.

The **Office of the Chief Information Officer (OCIO)** provides policy guidance, leadership and coordination for the Department's information management, technology investment and cyber security activities in support of USDA program delivery. In addition, OCIO is responsible for the management of the Common Computing Environment (CCE) for the Service Center agencies (see page 107).

Increased funding of \$5.6 million is requested to improve the Department's cyber security, through certifying and accrediting USDA systems, improving a Department-wide Information Survivability program to minimize disruptions caused by malicious intrusions or natural catastrophes, implementing an automated risk management system, and to establish a Security Operations Center. An additional increase of \$0.9 million is requested for IT support to the Office of Secretary and the Office of Communications. OCIO also operates the National Information Technology Center, which is a centralized computing facility providing applications and technical support to USDA agencies, and the Telecommunications Services and Operations (TSO) organization, which is responsible for developing USDA telecommunications policy and guidance and leading the design of and migration to the Department's future corporate telecommunications network. TSO also manages the network itself and provides local telecommunications and computer support services throughout metropolitan Washington D.C.

Legal oversight, counsel, and support for the Department's programs are provided by the **Office of the General Counsel (OGC)**. The budget provides an increase of \$1.5 million for 15 staff years to meet increasing responsibilities in OGC's Natural Resources and Civil Rights Divisions. An increase of \$0.5 million is also included for improvements in OGC's office automation and communication systems, and a further \$0.3 million for renewed subscriptions to essential legal databases.

The Department's **Office of Communications (OC)** provides leadership and coordination for the development of communications strategies for the Department and plays a critical role in disseminating information about USDA's programs to the general public. The budget provides an increase of \$0.9 million to improve the USDA website.

The **Office of the Chief Economist (OCE)** advises the Secretary and Department officials on the economic implications of Department policies, programs and proposed legislation, serves as

DEPARTMENTAL ACTIVITIES

the focal point for the Nation's agricultural economic intelligence, analysis and review related to domestic and international food and agriculture markets and provides policy direction for biofuels and new uses of agricultural products. Key funding increases include \$2.5 million to administer a mandated government-wide biobased product procurement program and to support interagency biobased product efforts. This OCE funding will be used to designate specific groupings of biobased products for procurement by Federal agencies, a process which will involve supporting the efforts of other agencies and inter-agency work groups to promote these products. This funding will also be used to establish and maintain a product database, and to develop a biobased product labeling system--all components that complement DA's model procurement program initiative (see page 103). Finally, this funding will allow for the continued operation and maintenance by the program, once established, at a Government-wide level. This program will create new economic opportunities in the rural areas where biobased materials come from, as demand for these products increases.

The request also includes \$1.7 million to begin the implementation of an electronic commodity market information system that will consolidate all commodity-related data, analysis and forecasts from across six USDA agencies into a single public website for easy access and use by producers, traders and policymakers. Finally, \$2 million is requested for a Cost Benefit Analysis Office to generate objective, quantitative economic measures of Departmental programs that will be used to improve USDA executive decision-making and program review.

The **National Appeals Division (NAD)** conducts evidentiary administrative appeal hearings and reviews arising from program operations of the Rural Development mission area, Farm Service Agency, Risk Management Agency, and the Natural Resources Conservation Service. An increase of \$0.3 million is requested for modernization of NAD's information technology systems.

The **Office of Budget and Program Analysis (OBPA)** provides analyses and information to the Secretary and other senior level policy officials to support informed decision-making regarding the Department's programs and policies, and budget, legislative, and regulatory actions.

The **Homeland Security Staff** was created with emergency supplemental funding in 2002 for the purpose of establishing a central oversight and assistance capability within USDA for its many homeland security activities. Funding of \$1.5 million is requested for the continued operation of the staff.

OFFICE OF CIVIL RIGHTS

OFFICE OF CIVIL RIGHTS

Program Level (Dollars in Millions)			
Program	2003 Actual	2004 Estimate	2005 Budget
Office of Civil Rights.....	\$16	\$18	\$22

The **Office of Civil Rights (OCR)** provides policy guidance, leadership and outreach, coordination, training and complaint prevention and processing for the Department and mission area agencies. OCR’s mission is to facilitate the fair and equitable treatment of USDA customers and employees while ensuring the delivery and enforcement of civil rights programs and activities. Through its efforts, OCR strives to 1) reduce and prevent EEO and program complaints; 2) process EEO and program complaints timely; 3) process all complaints efficiently and cost effectively; 4) foster a positive civil rights climate at USDA; and 5) provide effective outreach programs to ensure equal and timely access to USDA programs and services to all customers.

The 2005 budget includes increases of:

- \$2 million to reduce the average number of days to process complaints to issuance of Reports of Investigations and Final Agency Decisions by providing funding for staffing and contract services;
- \$1 million to improve the tracking and analysis of civil rights complaints, including the development of the business case for a Civil Rights Enterprise System;
- \$0.5 million to improve the provision of fair and equitable services and benefits through root cause analyses, technical assistance, workshops, summits, etc.; and,
- \$0.5 million to increase the efficiency and cost-effectiveness of EEO and program complaint processing through mandatory civil rights training and climate assessment tool services.

OFFICE OF THE INSPECTOR GENERAL

OFFICE OF THE INSPECTOR GENERAL

**Program Level
(Dollars in Millions)**

Program	2003 Actual	2004 Estimate	2005 Budget
Office of the Inspector General.....	\$73	\$77	\$78

The **Office of the Inspector General (OIG)** conducts and supervises audits to prevent and detect fraud and to improve the effectiveness of USDA programs, and as the law enforcement arm of USDA, investigates significant criminal activity involving the Department's programs and personnel. During 2005, one of OIG's highest priorities will continue to be the safety and wholesomeness of the Nation's food supply.

COMMON COMPUTING ENVIRONMENT

SERVICE CENTER MODERNIZATION INITIATIVE AND COMMON COMPUTING ENVIRONMENT (CCE)

Program Level (Dollars in Millions)			
Program	2003 Actual	2004 Estimate	2005 Budget
Common Computing Environment.....	\$113	\$119	\$137

In recent years, the Department has co-located field offices of the Farm Service Agency, Natural Resources Conservation Service and Rural Development into one-stop USDA Service Centers to provide seamless, quality customer service to farmers and rural residents. A key element for the success of the Service Center Modernization Initiative is the replacement of aging business and technology systems with a Common Computing Environment (CCE) that will allow the Service Center agencies to share data among themselves and customers and to streamline business processes. The CCE also provides the infrastructure needed to ensure that customers can conduct business electronically with the Service Center agencies. Implementation of the CCE began in 1998 and most of its major hardware and software components are in place. This infrastructure has already been instrumental in helping the Department implement new Farm Bill programs accurately and in a timely manner.

The budget provides an increase of \$18 million for the continued replacement of outdated CCE technology and the provision of adequate telecommunications capability, to maintain the Service Center agencies' level of performance. This funding also allows for the continued incorporation of Geographic Information Systems (GIS) data into the Department's agricultural digital mapping project. GIS is transforming the way USDA does business, by making possible the electronic analysis of soils and land-use data. This analysis, which previously took days or weeks of mapping by hand, will now take only minutes, and customers will be able to access this USDA information about their land over the Internet, rather than visiting an agency office. Furthermore, the expense of map printing, distribution, storage and updating will decrease greatly.

A scheduled integration of the information technology support functions of the Service Center agencies into a single organization under the CIO will further complement these efforts.

APPENDIX

UNITED STATES DEPARTMENT OF AGRICULTURE
Budget Authority
(Dollars in Millions)

AGENCY	2003 Actual	2004 Estimate	2005 Budget
FARM AND FOREIGN AGRICULTURAL SERVICES			
Farm Service Agency.....	912	850	868
Commodity Credit Corporation Programs.....	19063	14193	14998
Risk Management Agency.....	2977	3836	4187
Foreign Agricultural Service.....	279	274	312
P.L. 480.....	1894	521	745
RURAL DEVELOPMENT			
Rural Community Advancement Program.....	1023	725	542
Salaries and Expenses.....	145	141	150
Rural Utilities Service.....	-2077	-1149	-1088
Rural Housing Service.....	364	37	105
Rural Business - Cooperative Service.....	94	207	-149
Rural Empowerment Zones/Enterprise Communities.....	15	13	0
FOOD, NUTRITION, AND CONSUMER SERVICES			
Food and Nutrition Service.....	41970	47293	50167
NATURAL RESOURCES AND ENVIRONMENT			
Natural Resources Conservation Service.....	2274	2912	2669
Forest Service.....	5863	5367	4910
FOOD SAFETY			
Food Safety and Inspection Service.....	758	778	718
RESEARCH, EDUCATION, AND ECONOMICS			
Agricultural Research Service.....	1295	1168	1189
Cooperative State Research, Education, and Extension Service.....	1130	1244	900
Economic Research Service.....	69	71	80
National Agricultural Statistics Service.....	138	128	138
MARKETING AND REGULATORY PROGRAMS			
Animal and Plant Health Inspection Service.....	1203	868	976
Agricultural Marketing Service.....	209	206	215
Section 32 Funds.....	1227	1147	800
Grain Inspection, Packers and Stockyards Administration.....	40	36	15
DEPARTMENTAL ACTIVITIES			
Office of the Secretary.....	11	15	17
Common Computing Environment.....	132	119	137
Office of Civil Rights.....	0	18	22
Departmental Administration.....	38	22	26
Agriculture Buildings and Facilities.....	196	156	204
Hazardous Waste Management.....	16	16	16
Office of the Chief Financial Officer.....	6	6	8
Office of the Chief Information Officer.....	15	15	22
Office of the General Counsel.....	35	34	39
Office of the Inspector General.....	74	77	78
Office of Communications.....	9	9	10
Executive Operations:			
Office of the Chief Economist.....	10	11	17
National Appeals Division.....	13	13	15
Office of Budget and Program Analysis.....	7	8	8
Homeland Security Support Staff.....	0	0	1
Working Capital Fund.....	14	0	13
Gifts and Bequests.....	1	1	1
Subtotal.....	81,442	81,386	84,081
Offsetting Receipts.....	-3,056	-2,952	-798
TOTAL, U.S. DEPARTMENT OF AGRICULTURE.....	\$78,386	\$78,434	\$83,283

APPENDIX

UNITED STATES DEPARTMENT OF AGRICULTURE
Discretionary Budget Authority
(Dollars in Millions)

AGENCY	2003 Actual	2004 Estimate	2005 Budget
FARM AND FOREIGN AGRICULTURAL SERVICES			
Farm Service Agency.....	\$1,487	\$1,497	\$1,486
Commodity Credit Corporation Programs.....	4	4	-61
Risk Management Agency.....	71	71	92
Foreign Agricultural Service.....	142	180	218
P.L. 480.....	1,883	1,318	1,298
RURAL DEVELOPMENT			
Rural Community Advancement Program.....	872	725	542
Salaries and Expenses.....	145	142	150
Rural Utilities Service.....	142	130	-6
Rural Housing Service.....	1,555	1,369	1,345
Rural Business - Cooperative Service.....	35	70	-208
Rural Empowerment Zones/Enterprise Communities.....	15	13	0
FOOD, NUTRITION, AND CONSUMER SERVICES			
Food and Nutrition Service.....	5,085	4,930	5,145
NATURAL RESOURCES AND ENVIRONMENT			
Natural Resources Conservation Service.....	1,016	1,177	493
Forest Service.....	4,874	4,541	4,198
FOOD SAFETY			
Food Safety and Inspection Service.....	754	775	715
RESEARCH, EDUCATION, AND ECONOMICS			
Agricultural Research Service.....	1,271	1,145	1,166
Cooperative State Research, Education, and Extension Service.....	1,124	1,124	1,020
Initiative for Future Agriculture and Food Systems.....	0	0	-260
Economic Research Service.....	69	71	80
National Agricultural Statistics Service.....	138	128	138
MARKETING AND REGULATORY PROGRAMS			
Animal and Plant Health Inspection Service.....	1,069	721	822
Agricultural Marketing Service.....	77	78	87
Grain Inspection, Packers and Stockyards Administration.....	40	36	15
DEPARTMENTAL ACTIVITIES			
Office of the Secretary.....	11	15	17
Common Computing Environment.....	132	119	137
Office of Civil Rights.....	0	18	22
Departmental Administration.....	38	22	26
Agriculture Buildings and Facilities.....	196	156	204
Hazardous Waste Management.....	16	16	16
Office of the Chief Financial Officer.....	6	6	8
Office of the Chief Information Officer.....	15	15	22
Office of the General Counsel.....	35	34	39
Office of the Inspector General.....	74	77	78
Office of Communications.....	9	9	10
Executive Operations:			
Office of the Chief Economist.....	9	9	15
National Appeals Division.....	13	13	15
Office of Budget and Program Analysis.....	7	8	8
Homeland Security Staff.....	0	0	1
Working Capital Fund.....	14	0	13
Subtotal.....	22,443	20,762	19,106
Offsetting Receipts.....	-43	-33	-50
TOTAL, U.S. DEPARTMENT OF AGRICULTURE.....	\$22,400	\$20,729	\$19,056

APPENDIX

UNITED STATES DEPARTMENT OF AGRICULTURE
Outlays
(Dollars in Millions)

AGENCY	2003 Actual	2004 Estimate	2005 Budget
FARM AND FOREIGN AGRICULTURAL SERVICES			
Farm Service Agency.....	\$918	\$943	\$895
Commodity Credit Corporation Programs.....	17,425	14,837	15,004
Risk Management Agency.....	3,332	4,034	3,770
Foreign Agricultural Service.....	158	373	313
P.L. 480.....	683	685	818
RURAL DEVELOPMENT			
Rural Community Advancement Program.....	908	909	870
Salaries and Expenses.....	131	134	146
Rural Utilities Service.....	-2,703	-1,453	-1,017
Rural Housing Service.....	185	197	345
Rural Business - Cooperative Service.....	34	84	14
Rural Empowerment Zones/Enterprise Communities.....	13	23	15
FOOD, NUTRITION, AND CONSUMER SERVICES			
Food and Nutrition Service.....	41,095	45,531	47,508
NATURAL RESOURCES AND ENVIRONMENT			
Natural Resources Conservation Service.....	1,873	3,046	2,911
Forest Service.....	5,150	5,174	5,083
FOOD SAFETY			
Food Safety and Inspection Service.....	735	779	716
RESEARCH, EDUCATION, AND ECONOMICS			
Agricultural Research Service.....	1,125	1,178	1,144
Cooperative State Research, Education, and Extension Service.....	1,054	1,082	1,046
Economic Research Service.....	70	71	79
National Agricultural Statistics Service.....	133	124	138
MARKETING AND REGULATORY PROGRAMS			
Animal and Plant Health Inspection Service.....	1,089	1,228	1,060
Agricultural Marketing Service.....	151	209	215
Section 32 Funds.....	1,279	932	849
Grain Inspection, Packers and Stockyards Administration.....	32	40	14
DEPARTMENTAL ACTIVITIES			
Office of the Secretary.....	56	12	16
Fund for Rural America.....	8	14	0
Common Computing Environment.....	84	161	144
Office of Civil Rights.....	0	18	22
Departmental Administration.....	38	8	26
Agriculture Buildings and Facilities.....	193	156	204
Hazardous Waste Management.....	15	15	17
Office of the Chief Financial Officer.....	9	1	8
Office of the Chief Information Officer.....	15	13	22
Office of the General Counsel.....	35	34	39
Office of the Inspector General.....	75	73	78
Office of Communications.....	7	9	10
Executive Operations:			
Office of the Chief Economist.....	8	10	16
National Appeals Division.....	13	13	14
Office of Budget and Program Analysis.....	7	7	8
Homeland Security Staff.....	1	1	2
Working Capital Fund.....	11	-15	13
Gifts and Bequests.....	1	1	1
Subtotal.....	75,446	80,691	82,576
Offsetting Receipts.....	-3,056	-2,952	-798
TOTAL, U.S. DEPARTMENT OF AGRICULTURE.....	\$72,390	\$77,739	\$81,778

APPENDIX

UNITED STATES DEPARTMENT OF AGRICULTURE Discretionary Outlays (Dollars in Millions)

AGENCY	2003 Actual	2004 Estimate	2005 Budget
FARM AND FOREIGN AGRICULTURAL SERVICES			
Farm Service Agency.....	\$1,501	\$1,591	\$1,514
Commodity Credit Corporation Programs.....	4	4	-61
Risk Management Agency.....	77	69	85
Foreign Agricultural Service.....	156	180	218
P.L. 480.....	1,184	1,458	1,372
RURAL DEVELOPMENT			
Rural Community Advancement Program.....	690	807	799
Salaries and Expenses.....	131	134	146
Rural Utilities Service.....	99	94	140
Rural Housing Service.....	1,499	1,549	1,537
Rural Business - Cooperative Service.....	33	60	-77
Rural Empowerment Zones/Enterprise Communities.....	13	23	15
FOOD, NUTRITION, AND CONSUMER SERVICES			
Food and Nutrition Service.....	4,952	5,032	5,245
NATURAL RESOURCES AND ENVIRONMENT			
Natural Resources Conservation Service.....	971	1,207	832
Forest Service.....	4,601	4,469	4,378
FOOD SAFETY			
Food Safety and Inspection Service.....	732	776	713
RESEARCH, EDUCATION, AND ECONOMICS			
Agricultural Research Service.....	1,100	1,154	1,121
Cooperative State Research, Education, and Extension Service.....	989	1,014	1,005
Initiative for Future Agriculture and Food Systems.....	0	0	-13
Economic Research Service.....	70	71	79
National Agricultural Statistics Service.....	133	124	138
MARKETING AND REGULATORY PROGRAMS			
Animal and Plant Health Inspection Service.....	939	1,083	907
Agricultural Marketing Service.....	59	81	87
Grain Inspection, Packers and Stockyards Administration.....	32	40	14
DEPARTMENTAL ACTIVITIES			
Office of the Secretary.....	56	12	16
Common Computing Environment.....	84	161	144
Office of Civil Rights.....	0	18	22
Departmental Administration.....	38	8	26
Agriculture Buildings and Facilities.....	193	156	204
Hazardous Waste Management.....	15	15	17
Office of the Chief Financial Officer.....	9	1	8
Office of the Chief Information Officer.....	15	13	22
Office of the General Counsel.....	35	34	39
Office of the Inspector General.....	75	73	78
Office of Communications.....	7	9	10
Executive Operations:			
Office of the Chief Economist.....	7	8	14
National Appeals Division.....	13	13	14
Office of Budget and Program Analysis.....	7	7	8
Homeland Security Staff.....	1	1	2
Working Capital Fund.....	11	-15	13
Subtotal.....	20,531	21,534	20,831
Offsetting Receipts.....	-43	-33	-50
TOTAL, U.S. DEPARTMENT OF AGRICULTURE.....	\$20,488	\$21,501	\$20,781

APPENDIX

UNITED STATES DEPARTMENT OF AGRICULTURE

Staff Years

Agency	2003 Actual	2004 Estimate	2005 Budget
FARM AND FOREIGN AGRICULTURAL SERVICES			
Farm Service Agency.....	5,905	5,917	6,017
Risk Management Agency.....	515	568	598
Foreign Agricultural Service.....	1,002	1,005	1,005
Total, FFAS.....	7,422	7,490	7,620
RURAL DEVELOPMENT			
Rural Development.....	6,788	7,028	7,028
FOOD, NUTRITION, AND CONSUMER SERVICES			
Food and Nutrition Service.....	1,528	1,672	1,749
NATURAL RESOURCES AND ENVIRONMENT			
Natural Resources Conservation Service.....	12,140	13,570	11,538
Forest Service.....	38,014	36,100	34,883
Total, NRE.....	50,154	49,670	46,421
FOOD SAFETY			
Food Safety and Inspection Service.....	9,479	9,828	9,900
RESEARCH, EDUCATION, AND ECONOMICS			
Agricultural Research Service.....	8,521	8,600	8,600
Cooperative State Research, Education & Extension Service.....	405	451	451
Economic Research Service.....	462	500	506
National Agricultural Statistics Service.....	1,107	1,368	1,375
Total, REE.....	10,495	10,919	10,932
MARKETING AND REGULATORY PROGRAMS			
Animal and Plant Health Inspection Service.....	7,462	6,306	6,534
Agricultural Marketing Service.....	3,361	3,452	3,455
Grain Inspection, Packers & Stockyards Administration.....	707	760	760
Total, MRP.....	11,530	10,518	10,749
DEPARTMENTAL ACTIVITIES			
Office of the Secretary.....	70	81	81
Office of the Chief Economist.....	53	71	79
National Appeals Division.....	119	133	133
Homeland Security Staff.....	0	6	6
Office of Budget and Program Analysis.....	64	67	67
Office of the General Counsel.....	319	338	353
Office of the Inspector General.....	621	721	721
Office of the Chief Information Officer.....	310	332	332
Office of the Chief Financial Officer.....	1,225	1,293	1,375
Departmental Administration.....	522	613	610
Office of Civil Rights.....	168	191	194
Office of Communications.....	98	118	119
Total, Staff Offices.....	3,569	3,964	4,070
Subtotal, USDA.....	100,965	101,089	98,469
Thrift Savings Plan.....	425	580	579
Total, USDA Federal Staffing.....	101,390	101,669	99,048
FSA, Non-Federal Staffing.....	12,368	11,351	10,284
Total, USDA Staffing.....	113,758	113,020	109,332